

Mediaset España Comunicación, S.A.

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

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

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

Report on the Financial Statements

Opinion

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

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

Basis for Opinion

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

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

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

Key Audit Matters

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

Recognition of advertising revenue

Description

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

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

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

Procedures applied in the audit

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

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

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

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

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

Litigation and contingencies

Description

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

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

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

Procedures applied in the audit

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

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

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

Emphasis of Matter

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

Other Information: Directors' Report

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

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

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

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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Report on Other Legal and Regulatory Requirements

Additional Report to the Audit and Compliance Committee

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

Engagement Period

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

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



Ma Concepción Iglesias Jiménez
Registered in ROAC under no. 21413

26 February 2020

Appendix 1 to our auditor's report

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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Mediaset España Comunicación, S.A.

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

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

(In thousands of Euros)

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

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

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

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

(In thousands of Euros)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Madrid, February 26th, 2020

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

(In thousands of Euros)

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

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

Madrid, February 26th, 2020

1. Activity

1.1 The purpose and activity of the company

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

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

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

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

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

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

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

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

1.2 Ongoing company operations: Cross-border merger

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

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

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

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

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

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

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

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

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

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

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

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

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

2. Basis of presentation of the financial statements

2.1 Regulatory framework of financial information applicable to the Company

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

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

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

2.2 True and fair view

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

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

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

2.3 Comparative information

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

2.4 Preparation of the consolidated financial statements

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

2.5 Grouping of items

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

2.6 Critical issues concerning the assessment of uncertainty

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

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

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

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

Impairment of non-current assets

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

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

Deferred tax assets

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

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

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

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

Provisions and contingent liabilities

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

Calculation of fair values, values in use and present values

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

3. Allocation of profit

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

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

Limitations on the distribution of dividends

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

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

4. Recognition and valuation standards

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

4.1 Intangible assets

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

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

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

Goodwill

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

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

Computer software

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

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

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

Patents, licenses, and trademarks

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

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

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

Audio-visual property rights

The following intangible assets are recognised under this heading:

Property rights on external audio-visual production

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

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

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

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

1. Films and TV movies (non-series)
 - * Contractual rights for two screenings:
First screening: 50% of acquisition cost
Second screening: 50% of acquisition cost.
 - * Contractual rights for three or more screenings:
First screening: 50% of acquisition cost
Second screening: 30% of acquisition cost.
Third screening: 20% of acquisition cost
2. Other products (series)
 - * Contractual rights for two or more screenings:
First screening: 50% of acquisition cost
Second screening: 50% of acquisition cost

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

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

In-house series production rights

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

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

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

Amortisation is based on the screenings, as follows:

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

First screening: 100% of the amortisable value

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

First screening: 90% of the amortisable value

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

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

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

Distribution rights

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

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

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

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

Coproduction rights

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

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

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

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

Rights: Options, Scripts and Development

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

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

Master copies and dubbing

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

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

4.2 Retransmission rights

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

4.3 Property, plant and equipment

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

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

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

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

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

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

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

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

4.4 Impairment of non-current non-financial assets

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

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

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

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

4.5 Financial instruments

Financial assets

A) Classification and valuation

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

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

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

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

a.1) Loans and receivables

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

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

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

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

a.2) Financial assets held for trading

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

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

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

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

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

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

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

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

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

a.4) Financial assets available-for-sale

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

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

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

B) Interest and dividends received from financial assets

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

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

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

C) Impairment of financial assets

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

Financial assets recognised at amortised cost (receivables)

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

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

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

Investments in Group companies, joint ventures and associates

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

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

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

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

Financial assets available-for-sale

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

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

D) Derecognition of financial assets

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

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

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

Financial liabilities

A) Recognition and valuation

The Company classifies its financial liabilities into the following categories:

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

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

a.1) Accounts payable

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

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

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

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

a.2) Financial liabilities held for trading.

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

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

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

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

B) Derecognition of financial liabilities

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

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

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

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

Financial derivatives

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

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

4.6 Current and non-current items

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

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

4.7 Treasury shares

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

4.8 Inventories

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

Advances paid for programs are also included.

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

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

4.9 Cash and cash equivalents

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

- They are readily convertible to cash.

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

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

4.10 Provisions and contingencies

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

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

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

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

4.11 Long-term remuneration to the personnel

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

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

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

4.12 Transactions in foreign currency

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

Monetary items

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

Non-monetary items

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

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

4.13 Corporate Income tax

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

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

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

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

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

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

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

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

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

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

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

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

4.14 Income and expenses

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

Income from sales and services

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

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

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

Leases

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

4.15 Business combinations

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

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

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

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

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

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

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

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

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

4.16 Related-party transactions

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

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

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

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

4.17 Environmental issues

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

4.18 Termination benefits

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

5. Property, plant and equipment

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

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

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

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

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

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

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

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

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

Operating lease

The amount collected as operating lease for each year is:

Thousands of euros

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

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

6. Intangible assets

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

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

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

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

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

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

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

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

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

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

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

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

Goodwill and intangible assets assigned to cash-generating units

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

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

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

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

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

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

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

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

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

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

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

Sensitivity to changes in the hypotheses

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

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

7. Investment in Group Companies and Associates

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

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

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

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

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

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

7.1 Description of investments in group companies and associates

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

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

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

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

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

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

Information on the year ended at 31.12.19

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

(*) Unaudited data.

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

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

Information on the year ended at 31.12.18

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

(*) Unaudited data.

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

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

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

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

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

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

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

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

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

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

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

7.2 Description of main movements

7.2.1 Equity instruments

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

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

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

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

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

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

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

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

Sale of the investment in Pegaso Televisión, Inc.

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

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

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

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

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

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

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

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

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

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

7.2.2. Non-current loans to Group companies

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

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

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

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

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

7.2.3. Non-current loans to associated companies

Non-current loan to Alea Media, S.A

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

Non-current loan to Melodía Producciones, S.L

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

7.3. Impairment testing

Conecta 5 Telecinco, S.A.U.

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

Telecinco Cinema, S.A.U.

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

Advertisement 4 Adventure, S.L.U.

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

8. Financial Instruments

8.1 Financial Assets

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

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

These amounts are disclosed in the balance sheet as follows:

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

a) Investments in equity instruments.

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

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

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

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

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

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

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

b) Derivatives

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

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

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

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

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

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

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

c) Loans and receivables

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

Current and non-current loans to group companies

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

Current loans to Group companies are as follows:

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

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

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

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

8.2 Financial liabilities

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

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

These figures are included in the balance sheet as follows:

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

a) Bank borrowings

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

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

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

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

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

b) Derivatives and other financial liabilities

b.1) Borrowings from Group companies

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

b.2) Others

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

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

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

b.3) Current derivative financial instruments

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

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

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

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

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

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

8.3 Risk management policy

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

1. Credit risk

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

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

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

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

Operating activities

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

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

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

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

Investing activities

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

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

2. Market risk

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

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

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

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

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

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

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

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

IMPORT EXCHANGE INSURANCE

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

EXPORT EXCHANGE INSURANCE

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

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

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

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

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

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

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

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

3. Liquidity risk

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

9. Inventories

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

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

10. Trade and other receivables

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

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

Impairment losses:

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

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

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

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

11. Other current assets

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

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

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

12. Cash and cash equivalents

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

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

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

13. CAPITAL AND RESERVES

a) Issued capital

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

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

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

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

Listing on the Stock Exchange:

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

b) Share premium

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

c) Legal reserves

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

d) Goodwill reserve and other reserves

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

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

The rest of reserves are freely available.

e) Dividends

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

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

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

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

f) Treasury shares and equity investments

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

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

The movement in this heading in 2019 was the following:

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

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

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

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

Changes under this heading in 2018 were as follows:

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

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

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

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

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

14. Provisions and other Contingent Liabilities

Non-current provisions

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

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

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

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

2019

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

2018

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

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

Personnel

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

Contingencies/Lawsuits

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

contracts as well as an indemnity for damages and losses.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

15. Taxes

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

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

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

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

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

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

Value-added tax

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

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

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

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

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

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

15.1 Company tax calculation

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

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

	Thousands of euros					
	Income statement			Income and expenses directly recognized in equity		
	Increase	Decrease	Total	Increase	Decrease	Total
2018						
Income and expenses for the year						
Continuing operations	175,089	-	175,089	-	-	-
Discontinued operations	-	-	-	-	-	-
Income tax	175,089	-	175,089	-	-	-
Continuing operations	30,986	-	30,986	-	-	-
Discontinued operations	-	-	-	-	-	-
	30,986	-	30,986	-	-	-
Income and expenses for the year before tax			206,075			-
Permanent differences						
Provisions-group companies	1,631	-	1,631	-	-	-
Non-deductible expenses & penalties	73	-	73	-	-	-
Internal elimination of dividends	-	(75,301)	(75,301)	-	-	-
Others	1,017	-	1,017	-	-	-
Temporary differences	5,023	-	5,023	-	-	-
Utilization of previously unrecognized tax losses	-	-	-	-	-	-
Tax result			138,518			-

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

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

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

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

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

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

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

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

Payable Company Tax is as follows:

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

Refundable Company tax is as follows:

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

15.2 Deferred tax assets

The breakdown is as follows:

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

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

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

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

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

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

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

The breakdown of the deductions is as follows

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

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

15.3 Deferred tax liabilities

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

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

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

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

16. Guarantee Commitments to Third Parties

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

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

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

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

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

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

17. Share-Based Payment Schemes

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

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

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

PIF data summary:

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

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

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

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

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

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

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

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

18. Income and Expenses

a) Breakdown of revenue

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

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

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

b) Consumption of goods for resale

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

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

c) Wages and salaries

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

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

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

d) External services

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

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

19. Related-Party Transactions

Related companies

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

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

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

(2) Through Publiespaña, S.A.U.

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

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

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

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

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

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

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

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

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

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

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

Directors and senior executives

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

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

a) Compensation and other benefits

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

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

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

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

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

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

Mr. Paolo Vasile – CEO

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

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

Consolidated share rights 2019 in euros: 246,748

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

Mr. Massimo Musolino- Executive Director

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

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

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

Mr. Mario Rodríguez Valderas- Executive Director

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

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

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

Mr. Fedele Confalonieri – Director and Vice Chairman

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

Mr. Marco Giordani – Dominical Director

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

Mr. Borja Prado Eulate – Dominical Director

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

Mrs. Gina Nieri– Dominical Director

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

Mr. Niccolo Querci – Dominical Director

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

Mrs. Helena Revoredo Delvecchio- Independent Director

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

Mrs. Consuelo Crespo Bofill- Independent Director

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

Mrs. Cristina Garmendia Mendizábal- Independent Director

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

Mr. Francisco Javier Díez de Polanco- Independent Director

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

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

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

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

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

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

b) Remuneration for top management

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

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

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

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

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

c) Other information relating to the Board of Directors

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

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

20. Other disclosures

a) Employees structure

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

2018

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

b) Audit fees

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

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

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

c) Foreign currency

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

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

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

21. Significant events after the reporting date

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

Madrid, 26th February 2020

1. THE SPANISH ECONOMY IN 2019

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

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

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

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

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

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

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

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

ORGANISATIONAL STRUCTURE

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

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

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

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

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

THE TELEVISION BUSINESS IN 2019

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

DIVIDENDS AND TREASURY SHARES

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

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

INVESTMENTS IN RIGHTS AND CINEMA

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

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

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

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

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

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

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

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

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

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

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

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

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

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

INTERNET

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

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

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

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

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

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

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

TREASURY SHARES

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

PAYMENTS TO SUPPLIERS

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

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

MEDIASET ESPAÑA SHARES

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

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

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

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

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

CORPORATE GOVERNANCE

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

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

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

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

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

HEDGING OF FINANCIAL RISKS

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

RISK CONTROL

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

RESEARCH AND DEVELOPMENT

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

ENVIRONMENTAL MATTERS

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

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

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

CAPITAL STRUCTURE

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

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

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

OUTLOOK FOR THE COMPANY'S BUSINESS DEVELOPMENT

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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INDEPENDENT AUDITOR'S REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

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

Report on the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Mediaset España Comunicación, S.A. (the Parent) and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and notes to the consolidated financial statements for the year then ended.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated equity and consolidated financial position of the Group as at 31 December 2019, and its consolidated results and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRSs) and the other provisions of the regulatory financial reporting framework applicable to the Group in Spain.

Basis for Opinion

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

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

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

Key Audit Matters

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

Recognition of advertising sales revenue

Description

As indicated in Note 21 to the accompanying consolidated financial statements, advertising sales account for approximately 94% of the Group's total revenue and relate mainly to insertions of the customers' advertisements in spaces owned by the Group, net of discounts and sales-related taxes.

The recognition of this revenue is based on a large number of transactions and the revenue accrues on a daily basis in accordance with the actual insertion of advertisements and its recognition is also determined by the terms and conditions established in specific negotiations with each customer. This information is included in the computer systems of the various Group companies for use as the basis for revenue recognition and billing.

In view of the large number of transactions, the diverse nature of contractual terms and conditions and the importance of the aforementioned computer systems, advertising revenue occurrence, accuracy and cutoff were considered to constitute a key matter in our audit.

Procedures applied in the audit

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

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

In addition, we performed substantive tests of details by means of a specific review, on a selective basis, of the documentation supporting insertions of advertisements over the year, in order to verify, mainly, their actual broadcast and the consistency of their recognition with the agreed-upon contractual terms and conditions.

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

Lastly, we evaluated the adequacy of the disclosures provided in the notes to the accompanying consolidated financial statements (see Notes 4 and 21) required by the applicable regulatory financial reporting framework.

Litigation and contingencies

Description

As indicated in Note 16 to the accompanying consolidated financial statements, the Group is involved in certain lawsuits and disputes, including most notably Disciplinary Proceeding S/DC/617/17 of the Spanish National Markets and Competition Commission. On 12 November 2019, this body issued a decision on this proceeding, in which it considered that certain television advertising terms of business established by the Group could unjustifiably restrict the functioning of the market. This decision imposed an economic penalty of EUR 38,979 thousand and ordered the discontinuance of such conduct. The Parent has filed an appeal for judicial review and a request for precautionary measures, in relation to both the economic penalty and the discontinuance of the conduct.

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

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

Procedures applied in the audit

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

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

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

Emphasis of Matter

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

Other Information: Consolidated Directors' Report

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

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

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

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

Based on the work performed, as described above, we observed that the non-financial information described in section a) above was presented in the separate "consolidated non-financial information statement" report to which a reference was included in the consolidated directors' report, that the information in the ACGR, discussed in the aforementioned section, was included in the consolidated director's report and that the other information in the consolidated directors' report was consistent with that contained in the consolidated financial statements for 2019 and its content and presentation were in conformity with the applicable regulations.

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the audit regulations in force in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is included in Appendix 1 to this auditor's report. This description, which is on the following pages, forms part of our auditor's report.

Report on Other Legal and Regulatory Requirements

Additional Report to the Parent's Audit and Compliance Committee

The opinion expressed in this report is consistent with the content of our additional report to the Parent's audit and compliance committee dated 26 February 2020.

Engagement Period

The Annual General Meeting held on 27 April 2017 appointed us as auditors of the Group for a period of three years from the year ended 31 December 2017.

DELOITTE, S.L.
Registered in ROAC under no. S0692

M^a Concepción Iglesias Jiménez
Registered in ROAC under no. 21413

26 February 2020



Appendix 1 to our auditor's report

Further to the information contained in our auditor's report, in this Appendix we include our responsibilities in relation to the audit of the consolidated financial statements.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

As part of an audit in accordance with the audit regulations in force in Spain, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Parent's directors.
- Conclude on the appropriateness of the use by the Parent's directors of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Parent's audit and compliance committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain. In the event of a discrepancy, the Spanish-language version prevails

We also provide the Parent's audit and compliance committee with a statement that we have complied with relevant ethical requirements, including those regarding independence, and we have communicated with it to report on all matters that may reasonably be thought to jeopardise our independence, and where applicable, on the related safeguards.

From the matters communicated with the Parent's audit and compliance committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

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**Mediaset España Comunicación, S.A.
and
Subsidiaries**

Consolidated Financial Statements for the year ended 31 December 2019,
prepared in accordance with International Financial Reporting Standards as
adopted by the European Union (EU-IFRSs), and Consolidated Directors' Report

Mediaset España Comunicación, S.A. and Subsidiaries
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019
(In thousands of euros)

DISCLAIMER: The English version is a translation of the original in Spanish for information purposes only. In case of a discrepancy, the Spanish original will prevail.

ASSETS	31/12/2019	31/12/2018
NON-CURRENT ASSETS		
Property, plant and equipment (Note 6)	55,372	57,918
Intangible assets (Note 7)	182,408	186,849
Audio-visual property rights (Note 8)	170,805	138,298
Goodwill (Note 9)	290,809	288,124
Investments accounted for using the equity method (Note 10)	8,613	8,696
Non-current financial assets (Notes 11 and 13.2)	220,792	15,740
Deferred tax assets (Note 18.5)	69,954	79,589
Total non-current assets	998,753	775,214
CURRENT ASSETS		
Inventories	12,855	9,754
Accounts receivable	247,983	234,257
Trade receivables for sales and services (Note 13.2)	228,677	221,183
Trade receivables from related parties (Note 13.2)	601	1,318
Sundry accounts receivable (Note 13.2)	1,117	1,092
Employee receivables (Note 13.2)	71	72
Receivable from public authorities (Note 18.3)	1,876	197
Current tax assets (Note 18.3)	15,641	10,395
Other current assets (Note 12)	32,668	8,569
Other current financial assets (Note 13.2)	1,894	2,638
Cash and cash equivalents (Note 14)	128,993	165,737
Total current assets	424,393	420,955
TOTAL ASSETS	1,423,146	1,196,169

The accompanying Notes 1 to 24 are an integral part of this Consolidated Statement of Financial Position for the year ended 31 December 2019.

Mediaset España Comunicación, S.A. and Subsidiaries
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019
(In thousands of euros)

DISCLAIMER: The English version is a translation of the original in Spanish for information purposes only. In case of a discrepancy, the Spanish original will prevail.

EQUITY AND LIABILITIES	31/12/2019	31/12/2018
EQUITY (Note 15)		
Share capital	163,718	163,718
Share premium	313,234	313,234
Other reserves	319,926	225,707
Treasury shares	(94,554)	-
Valuation adjustments	(1,749)	1,820
Profit for the period attributable to the Parent	211,713	200,326
Total net equity of the Parent	912,288	904,805
Non-controlling interests	3,466	-
Total net equity	915,754	904,805
NON-CURRENT LIABILITIES		
Long-term provisions (Note 16)	11,126	8,945
Non-current Banking borrowings (Note 13.2)	180,334	-
Other non-current liabilities (Note 13.2)	6,187	110
Deferred tax liabilities (Note 18.5)	38,447	28,211
Total non-current liabilities	236,094	37,266
CURRENT LIABILITIES		
Payables to related parties (Note 13.2)	17,448	19,369
Payable for purchases and services (Note 13.2)	118,692	105,009
Payables for purchases of audio-visual property rights (Note 13.2)	43,915	47,237
Other non-trade payables	39,048	40,249
Bank borrowings (Note 13.2)	906	44
Payable to public authorities (Note 18.3)	22,323	22,569
Payables for acquisition of non-current assets (Note 13.2)	2,762	1,918
Remuneration payable (Note 13.2)	12,732	15,625
Other payables (Note 13.2)	325	93
Short-term provisions (Note 17)	48,572	40,149
Other current liabilities	3,623	2,085
Total current liabilities	271,298	254,098
TOTAL EQUITY AND LIABILITIES	1,423,146	1,196,169

The accompanying Notes 1 to 24 are an integral part of this Consolidated Statement of Financial Position for the year ended 31 December 2019.

Mediaset España Comunicación, S.A. and Subsidiaries
CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR
THE YEAR ENDED 31 DECEMBER 2019
(In thousands of euros)

DISCLAIMER: The English version is a translation of the original in Spanish for information purposes only. In case of a discrepancy, the Spanish original will prevail.

	31/12/2019	31/12/2018
REVENUE		
Revenue (Note 21.1)	939,001	974,477
Sales	925,588	975,394
Discounts and volume rebates	(40,005)	(42,143)
Rendering of services	53,418	41,226
Other operating income	7,240	7,087
Total operating income	946,241	981,564
EXPENSES		
Reduction in finished goods and work in progress	(3,102)	(4,168)
Procurements	208,476	250,986
Staff costs (Note 21.2)	121,543	107,824
Audio-visual property rights used (Note 8)	135,851	153,086
Depreciation and amortisation charge (Notes 6 and 7)	20,278	19,916
Changes in operating allowances (Note 21.3)	(1,180)	(2,815)
Other operating expenses (Note 21.4)	199,481	199,843
Total operating expenses	681,347	724,672
Profit from operations	264,894	256,892
Finance income/(costs) (Note 21.6)	(320)	(1,854)
Exchange differences (Note 21.7)	123	275
Result of companies accounted for using the equity method (Note 10)	2,306	6,246
Disposal/impairment of other financial assets	-	(481)
Income/(expenses) from non-current financial assets (Note 21.9)	3,606	4,528
Profit before tax	270,609	265,606
Income tax (Note 18.4)	56,847	65,280
Profit for the year	213,762	200,326
Attributable to:		
Shareholders of the Parent	211,713	200,326
Non-controlling interests (Note 15.6)	2,049	-
Earnings per share (Note 22.1)	0.65	0.61
Diluted earnings per share (Note 22.2)	0.65	0.61

The accompanying Notes 1 to 24 are an integral part of this Consolidated Statement of Profit or Loss for 2019.

Mediaset España Comunicación, S.A. and Subsidiaries
CONSOLIDATED STATEMENT OF COMPREHENSIVE
INCOME FOR THE YEAR ENDED 31 DECEMBER 2019
(In thousands of euros)

DISCLAIMER: The English version is a translation of the original in Spanish for information purposes only. In case of a discrepancy, the Spanish original will prevail.

	<u>31/12/2019</u>	<u>31/12/2018</u>
PROFIT FOR THE YEAR	<u>213,762</u>	<u>200,326</u>
Income and expense recognised directly in equity to be reclassified to the statement of profit or loss in the future	-	-
- Valuation adjustments to available-for-sale assets	-	-
Income and expense recognised directly in equity not to be reclassified to the statement of profit or loss in the future	(3,569)	1,820
COMPREHENSIVE INCOME FOR THE YEAR	<u>210,193</u>	<u>202,146</u>
Attributable to:		
Shareholders of the Parent	208,144	202,146
Non-controlling interests	2,049	-

The accompanying Notes 1 to 24 are an integral part of this consolidated statement of comprehensive income for 2019.

Mediaset España Comunicación, S.A. and Subsidiaries

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31
DECEMBER 2019
(In thousands of euros)

DISCLAIMER: The English version is a translation of the original in Spanish for information purposes only. In case of a discrepancy, the Spanish original will prevail.

	OTHER RESERVES					Treasury shares (Note 15.5)	Valuation adjustments	Profit for the period	Total net equity of the Parent	Non- controlling interests (Note 15.6)	TOTAL
	Share Capital (Note 15.1)	Share Premium (Note 15.2)	Legal Reserve (Note 15.3)	Other reserves	Total other reserves						
Balance at 31/12/18	163,718	313,234	32,744	192,963	225,707	-	1,820	200,326	904,805	-	904,805
Components of other comprehensive income	-	-	-	-	-	-	(3,569)	-	(3,569)	-	(3,569)
Profit for the period	-	-	-	-	-	-	-	211,713	211,713	2,049	213,762
Comprehensive income	-	-	-	-	-	-	(3,569)	211,713	208,144	2,049	210,193
Distribution of profit	-	-	-	200,326	200,326	-	-	(200,326)	-	-	-
Dividends (Note 15.4)	-	-	-	(99,958)	(99,958)	-	-	-	(99,958)	-	(99,958)
Treasuryshare transactions (net)	-	-	-	-	-	(94,554)	-	-	(94,554)	-	(94,554)
Other changes	-	-	-	(6,149)	(6,149)	-	-	-	(6,149)	1,417	(4,732)
Balance at 31/12/19	163,718	313,234	32,744	287,182	319,926	(94,554)	(1,749)	211,713	912,288	3,466	915,754

	OTHER RESERVES					Treasury shares (Note 15.5)	Valuation adjustments	Profit for the period	Total net equity of the Parent	Non- controlling interests (Note 15.6)	TOTAL
	Share Capital (Note 15.1)	Share Premium (Note 15.2)	Legal Reserve (Note 15.3)	Other reserves	Total other reserves						
Balance at 31/12/17	168,359	409,040	33,672	191,738	225,410	(100,500)	272	197,496	900,077	-	900,077
Components of other comprehensive income	-	-	-	-	-	-	1,820	-	1,820	-	1,820
Profit for the period	-	-	-	-	-	-	-	200,326	200,326	-	200,326
Comprehensive income	-	-	-	-	-	-	1,820	200,326	202,146	-	202,146
Distribution of profit	-	-	-	197,496	197,496	-	-	(197,496)	-	-	-
Dividends (Note 15.4)	-	-	-	(197,496)	(197,496)	-	-	-	(197,496)	-	(197,496)
Treasuryshare transactions (net)	(4,641)	(95,806)	-	(53)	(53)	100,500	-	-	-	-	-
Other changes	-	-	(928)	1,278	350	-	(272)	-	78	-	78
Balance at 31/12/18	163,718	313,234	32,744	192,963	225,707	-	1,820	200,326	904,805	-	904,805

The accompanying Notes 1 to 24 are an integral part of this consolidated statement of changes in equity for 2019

Mediaset España Comunicación, S.A. and Subsidiaries
CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR
ENDED 31 DECEMBER 2019
(In thousands of euros)

DISCLAIMER: The English version is a translation of the original in Spanish for information purposes only. In case of a discrepancy, the Spanish original will prevail.

	31/12/2019	31/12/2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit before tax	270,609	265,606
<i>Adjustments</i>		
Audio-visual property rights used (Note 8)	135,851	153,086
Depreciation and amortisation charge (Notes 6 and 7)	20,278	19,916
Result of companies accounted for using the equity method (Note 10)	(2,306)	(6,246)
Changes in operating allowances (Note 21.3)	(1,180)	(2,815)
Changes in provisions for contingencies, charges and other	4,589	6,839
Net finance costs (Note 21.6)	320	1,854
Net exchange differences (Note 21.7)	(123)	(275)
Derecognition of other assets	212	34
Impairment of other financial assets	-	481
Net gains on disposals of other financial assets (Note 21.9)	(3,606)	(4,528)
Profit from operations before changes in working capital	424,644	433,952
<i>Changes in operating assets and liabilities net of effects arising from the acquisition of new investments</i>		
Inventories	(3,101)	(3,933)
Accounts receivable	(6,778)	14,957
Other current assets	(30,304)	6,975
Accounts payable	11,762	(46,830)
Other current and non-current liabilities	(1,370)	2,549
Change in liability provisions	8,423	1,054
Cash flows from operating activities	403,276	408,724
Tax paid at source (Note 18.4)	(40,729)	(43,687)
Other amounts paid/received	(3,069)	(316)
Net cash flows from operating activities (A)	359,478	364,721
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(7,625)	(7,686)
Acquisitions of audio-visual property rights	(176,426)	(143,525)
Disposals of audio-visual property rights (Note 8)	4,746	4,198
Acquisition of intangible assets (Note 7)	(2,526)	(2,540)
(Investments in)/Disposals of non-current financial assets (Note 21.9)	3,606	4,528
(Investments in)/Disposals of associates	(172,630)	(301)
(Investments in)/Disposals of non-current financial assets (Note 10)	87	1,036
(Investments in)/Disposals of current and non-current financial assets (Note 13.2)	-	860
Investments in group companies	(8,524)	-
Dividends received (Note 10)	1,696	2,392
Interest received	133	-
Net cash flows from the sale of financial assets	1,340	8,194
Net cash flows used in investing activities (B)	(356,123)	(132,844)
CASH FLOWS USED IN FINANCING ACTIVITIES		
Long-term financing	153,646	(156)
Interest paid	(759)	(1,977)
Dividends paid (Note 15.4)	(99,958)	(197,496)
Short-term financing	(16)	(591)
Treasury share purchases (Note 15.5)	(94,554)	(343)
Equity transactions	1,419	-
Net cash flows used in financing activities (C)	(40,222)	(200,563)
Increase/Decrease in cash and cash equivalents [D=A+B+C]	(36,867)	31,314
Effect of exchange rate changes (Note 21.7)	123	275
Net change in cash and cash equivalents	(36,744)	31,589
Cash and cash equivalents at beginning of year (Note 14)	165,737	134,148
Cash and cash equivalents at end of year (Note 14)	128,993	165,737

The accompanying Notes 1 to 24 are an integral part of this consolidated statement of cash flows for 2019.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

1. Group Activity

1.1 Object of the companies belonging to the Mediaset España Comunicación, S.A. Group

MEDIASET ESPAÑA COMUNICACIÓN, S.A. - PARENT

MEDIASET ESPAÑA COMUNICACIÓN, S.A. (“the Company” or “the Parent”) was incorporated in Madrid on 10 March 1989. Its registered office is at Carretera de Fuencarral a Alcobendas, no. 4, 28049 Madrid.

The Company's object is the indirect management of a public television service. At 31 December 2019, it was commercially operating seven television channels (Telecinco, Factoría de Ficción, Boing, Cuatro, Divinity, Energy and Be Mad). The licences to operate these channels were granted as follows:

- In accordance with the terms of the State concession granted by the General Secretariat of Communications’ Resolution of August 28, 1989 and the concession agreement contained in the public deed of October 3, 1989, as well as all-natural operations related to and as a consequence of that management.
- This agreement was renewed for ten years from April 3, 2000 under a Council of Ministers’ agreement dated March 10, 2000.
- A Council of Ministers’ resolution dated November 25, 2005 extended this concession agreement as well as those of other national concessionaires to include three DTT (digital terrestrial television) channels.
- A Council of Ministers’ agreement dated March 26, 2010 renewed this concession for an additional ten years. The Company made all the investments required to start digital transmissions pursuant to Royal Decree 2169/1998, of October 9, which approved the Spanish National Technical Plan for Digital Terrestrial TV. Without prejudice to the above and in conformity with Second Transitory Provision of the Audio-visual Law, on May 3, 2010 the Company requested that the concession be changed to a license to offer an audio-visual communication service. Under the Council of Ministers’ resolution of June 11, 2010, the concession became a 15-year license to offer an audio-visual communication service. This license is automatically renewable for the same period provided the Company meets the requirements of Article 28 of the Law 7/2010, of March 31 (Audio-visual Law).
- Since the analogical blackout on April 3, 2010 (when analogical broadcasts ended), and by virtue of the Third Additional Provision of Royal Decree 944/2005 on May 4, 2010, the Company had access to a multiple digital license with national coverage, which increased the channels it managed to four.

- Following the acquisition of Sociedad General de Televisión Cuatro, S.A. in 2010, the Company obtained Cuatro's multiplex licenses (Cuatro and three more channels).
- On 6 May 2014, the digital channels La Siete and Nueve ceased broadcasting in compliance with the judgment handed down by the Third Chamber of the Spanish Supreme Court, as decided at a Council of Ministers meeting held on 22 March 2013.
- Based on an agreement reached by the Council of Ministers on October 16, 2015, the Company was granted a 15-year license to operate a new high-definition TDT channel, which may be extended in accordance with the terms stipulated by Audio-visual Law. Said channel, BeMad, began broadcasting on April 21, 2016, within the legal deadline set in the specifications for granting the license.

Per Article 3 of its Articles of Association, the Company was incorporated for an indefinite period of time.

The Company was admitted for listing on the stock exchange on 24 June 2004 and is traded on the Madrid, Barcelona, Bilbao and Valencia Stock Exchanges. It was included in the IBEX-35 index on 3 January 2005.

The Group engages mainly in the sale of advertising on the TV channels it operates under concessions, as well as similar, complementary and related activities such as:

- Audio-visual production
- News agency services
- Advertising promotion

1.2 Ongoing company operations: Cross-border merger

On June 7, 2019, the Board of Directors of Mediaset España Comunicación, S.A., approved the merger by absorption of Mediaset España and Mediaset S.p.A. (its current majority shareholder, Note 15.1) by Mediaset Investment, N.V. a company with registered office in the Netherlands and 100% held by Mediaset, SpA, the merged company will be named "MFE - MEDIAEUROPE NV", which, will be listed in Italy and Spain once the merger has been completed. The reason for this transaction is purely industrial and aimed at creating a pan-European Group capable of competing effectively in the new media universe in which the size and technological capacity, particularly in respect of the digital environment, are essential for the development and growth of the business.

The merger project approved by the General Shareholders Meeting on September 4, 2019 contemplates an exchange ratio of 2.33 MFE - MEDIAEUROPE, N.V. shares for each Mediaset España share as well as a right of separation for the Spanish Group's shareholders set at 6.544 euros per share under the Spanish commercial regulations.

This transaction includes, as a preliminary step and in order to maintain the operations and business of Mediaset Italia and Mediaset España in their respective countries and substantially unaltered, the segregation transaction by Mediaset España Comunicación, S.A. of all of its equity, assets and liabilities to a direct and fully owned Spanish subsidiary, Grupo Audio-visual Mediaset España Comunicación, S.A. (Sociedad Unipersonal) (Note 1.3), in exchange for

which Mediaset España Comunicación, S.A. received all of the shares of said beneficiary company.

The original plan provided that, once certain precedent conditions inherent to such a process were met, the merger and segregation could be completed by the end of 2019.

However, the aforementioned resolutions approved by the Shareholders' Meeting of Mediaset España Comunicación, S.A. were challenged by a minority shareholder, who holds 1% of the company's capital that it had acquired after 7 June 2019, the date on which the transaction was announced.

Similarly, the aforementioned minority shareholder filed different complaints in the Netherlands and in Italy, while in Spain the Juzgado de lo Mercantil nº 2 of Madrid (Commercial Court No. 2 of Madrid) issued an order on October 11 ordering the provisional suspension of the agreements.

Mediaset España Comunicación, S.A. filed an appeal against this order, which was dismissed by a decision dated 14 February 2020 and sent back to Commercial Court No. 2.

Additionally, and in line with what Mediaset Italia did following the suggestion of the judge in Milan, the Mediaset España Extraordinary Shareholders Meeting approved at its meeting on February 5, 2020 to modify certain articles of MFE's Article of Association's Proposal. Once the adaptation was appropriately carried out, it allowed the Milan judge responsible for the matter to finally reject the interim suspension requested there by the shareholder that opposed the resolutions.

Finally, it should be noted that, pending a ruling by the Audiencia Provincial of Madrid (Madrid Court), there are 39,025,777 shares of Mediaset España whose holders have exercised the right of separation and whose reimbursement is guaranteed by the Group through the guarantee agreements signed with two first rate financial entities. The execution of this guarantee is contingent upon the final performance of the transaction, at the discretion of Mediaset España Comunicación, S.A.

Additionally, on February 19, 2020, Mediaset España Comunicación, S.A.'s Board of Directors decided to grant a period of time for those shareholders who wish to revoke the exercise of the right of separation between February 19 and March 3, 2020 (both inclusive).

This decision is due to the fact that the completion of the operation now depends on the final outcome of the various legal proceedings initiated by the aforementioned minority shareholder.

In view of the above, no effects of this transaction have been recorded in these financial statements.

1.3 Mediaset España Group's Organisational Structure

The Company is the head of a corporate group known as Grupo Mediaset España Comunicación and, as such, it is required to prepare Consolidated Financial Statements for the Group in addition to its own financial statements. The Group's subsidiaries are:

Fully consolidated companies	Country	2019	2018
Grupo Editorial Tele 5, S.A.U.	Spain	100%	100%
Telecinco Cinema, S.A.U. (3)	Spain	100%	100%
Publiespaña, S.A.U.	Spain	100%	100%
Conecta 5 Telecinco SA.U.	Spain	100%	100%
Mediacinco Cartera, S. L U.	Spain	100%	100%
Publimedia Gestion. S.A.U. (1)	Spain	100%	100%
Advertisement 4 Adventure. S.L.U.	Spain	100%	100%
Produccion y Distribucion de Contenidos Audiovisuales Mediterraneo. S.L.U. (formerly Sogecable Editorial, S.L.U.)	Spain	100%	100%
Netsonic, S. L U. (1)	Spain	100%	100%
Grupo Audiovisual Mediaset Espana Comunicación S.A.U. Concursos Multiplataformas, S.A.U.	Spain	100%	100%
El Desmarque Portal Deportivo. S.L. (3)	Spain	60%	-
Megamedia Television, S.L. (3)	Spain	65%	-
Supersport Television. S.L (3)	Spain	62.50%	-
Companies accounted for using the entity method	Country	2019	2018
Producciones Mandarina, SL (3)	Spain	30%	30%
La Fabrica de la Tele, S.L (3)	Spain	30%	30%
Furia de Titanes II, A.I. E. (2)	Spain	34%	34%
Megamedia Televisión, S.L. (3)	Spain	-	30%
Supersport Televisión, S.L (3)	Spain	-	30%
Aunia Publicidad Interactiva, S.L. (1)	Spain	50%	50%
Alea Media, SA (3)	Spain	40%	40%
Melodia Producciones S.L	Spain	40%	40%
Alea La Maleta S.L.U (6)	Spain	40%	-
Pagoela Media, S.L.U. (6)	Spain	40%	-
Adech Ventures, S.p.A (1)	Italy	50%	50%
Bulldog TV Spain, S.L (3)	Spain	30%	30%
Alma Productora Audiovisual, S.L.	Spain	30%	30%
Unicorn Content. S.L. (3)	Spain	30%	30%
Joint Ventures	Country	2019	2018
Telefonica Broadcast. S.L.U. -Supersport Televisión, S.L (U.T.E) (5)	Spain	50%	-

(1) These companies are owned through Publiespaña, S.A.U.

(2) This E.I.G. is owned through Telecinco Cinema, S.A.U.

(3) These companies are owned through Producción y Distribución de Contenidos Audiovisuales Mediterráneo, S.L.U.

(4) This company is in liquidation since October 10, 2018

(5) These companies are owned through Supersport Televisión, S.L.

(6) These companies are owned through Alea Media, S.A.

Changes in the scope of consolidation in the year ended 31 December 2019

- On January 21, 2019, the Group acquired an additional 32.5% stake in Sociedad Supersport Televisión, S.L., reaching a total of 62.5%, and it is now fully consolidated.
- On 21 January 2019, the Group acquired an additional 35% interest in Megamedia Televisión, S.L., reaching a total of 65%, and it is now fully consolidated.
- On 5 March 2019 the Group acquired a 60% interest in El Desmarque Portal Deportivo, S.L., and it is now fully consolidated.
- On May 14, 2019, the Group company Supersport Televisión, S.L., together with Telefónica Broadcast Services, S.L., formed a joint venture called Telefónica Broadcast Services, S.L.U.- Supersport Televisión, S.L., Unión Temporal de Empresas, Law 18/1982 of May 26 and Law 12/1991 of April 29, in order to provide technical, editorial and content management services for the Real Madrid C.F. TV channel. This participation is integrated as a joint arrangement.
- On October 21, 2019, Alea Media, S.A. (40% owned) incorporated a wholly owned subsidiary, Alea La Maleta, S.L.U., which is now accounted for using the equity method.

Changes in the scope of consolidation in the year ended 31 December 2018

- On 5 February 2018, the Group acquired a 30% ownership interest in Bulldog TV Spain, S.L.
- On 23 March 2018, the Parent's 43.71% ownership interest in Pegaso Televisión, Inc. was sold.
- On 12 September 2018, the Group acquired a 30% ownership interest in Alma Productora Audiovisual, S.L.
- On 23 October 2018, the Group acquired a 30% ownership interest in Unicorn Content, S.L.
- On 31 July 2018, Alea Media, S.A. incorporated a wholly owned subsidiary, Pagoeta Media, S.L.U., which was accounted for using the equity method.

SUBSIDIARIES

"Subsidiaries" are considered to be those entities over which the Company has the capacity to exercise effective control (see Note 4.1).

1. Full consolidation (directly owned by Mediaset España Comunicación, S.A.)

Grupo Editorial Tele 5, S.A.U.

Grupo Editorial Tele 5, S.A.U. was incorporated in Madrid on 10 July 1991, and its registered office is at Carretera de Fuencarral a Alcobendas, no. 4, Madrid.

The company object includes, amongst others, the following complementary activities to the operation of a television channel: acquisition and exploitation of rights, to both phonograms and audio-visual recordings, artistic performance, promotion of shows and the publication, production, distribution and marketing of publications and visual material.

Publiespaña, S.A.U.

Publiespaña, S.A.U. was incorporated on 3 November 1988. Its registered office is at Carretera de Fuencarral a Alcobendas, no. 4, Madrid.

The Company's object is the performance of the following business activities:

- a) The performance and execution of advertising projects and tasks related to the contracting, intermediation and dissemination of advertising messages in any of its possible forms, through any means of dissemination or social communication.
- b) The performance of activities directly or indirectly related to marketing, merchandising, teleshopping and any other commercial activities.
- c) The organization and production of cultural, sporting, musical or other events, as well as the acquisition and exploitation in any form of all rights over them.
- d) The provision of advisory, analysis and management services for any procedure in relation to the above activities.
- e) The activities listed above may be carried out by the Company, in whole or in part, indirectly, through ownership interests in other companies with a similar purpose.

Conecta 5 Telecinco, S.A.U.

Europortal, S.A. was incorporated on 6 September 1999. On 14 October 1999, it changed its name to Europortal Jumpy, S.A. Its registered office is at Carretera de Fuencarral a Alcobendas, no. 4, Madrid.

On 5 November 2007, it changed its name to Conecta 5 Telecinco, S.A.U.

Its company object is the exploitation of audio-visual content on the internet.

Mediacinco Cartera, S.L.U.

Mediacinco Cartera, S.L. was incorporated in Madrid on 13 April 2007, and its registered office is at Carretera de Fuencarral a Alcobendas, no. 4, Madrid.

The object of the company is:

- a) The investment by means of the acquisition, subscription, assumption, disbursement, holding, transfer, disposal, contribution or encumbrance of securities or movable assets including shares, ownership interests in companies or joint-property entities, subscription rights of companies, convertible or non-convertible bonds, commercial bonds, founders' shares, "rights" bonds, fixed income or equity securities, whether or not admitted to listing on official stock exchanges, government debt securities including Treasury bonds and ordinary and special Treasury bills, bills of exchange and certificates of deposit, all fully subject to applicable law.
- b) The provision of administrative, management and advisory services of an accounting, financial, tax, civil, commercial, labour and administrative nature to other companies in which it has a direct or indirect interest.

At 31 December 2019 and 2018, the ownership interest held had reached 100% of the share capital. This company is currently inactive.

Advertisement 4 Adventure, S.L.U.

Sogecable Media, S.L.U. was created on 10 October 2005 to manage the sale of advertising of the audio-visual media CUATRO, the themed channels of Prisa TV on DIGITAL+ and REVISTA DIGITAL+. The company has established its registered office at Carretera de Fuencarral a Alcobendas, no. 4, Madrid.

On 2 October 2015, it changed its name to Advertisement 4 Adventure, S.L.U., and its current business activity is the acquisition, subscription, holding, enjoyment and disposal of securities, debentures, bonds, shares and ownership interests in all kinds of Spanish or foreign civil and mercantile, industrial or commercial companies.

Producción y Distribución de Contenidos Audiovisuales Mediterráneo, S.L.U. (formerly Sogecable Editorial, S.L.U.)

Sogecable Editorial, S.L.U. has established its registered office at Carretera de Fuencarral a Alcobendas, no. 4, Madrid.

The company object included, among others, the following activities complementary to running a television channel:

- a) acquisition and exploitation of rights, both for phonograms and audio-visual recordings,
- b) artistic performance,
- c) the promotion of shows and the publication, production, distribution and marketing of publications and visual material.

On 27 July 2018, Sogecable Editorial, S.L.U. changed its name to Producción y Distribución de Contenidos Audiovisuales Mediterráneo, S.L.U. It also changed its company object to that of the production and distribution of audio-visual content inherent to the activities of the holding companies of which it is comprised.

Grupo Audiovisual Mediaset España Comunicación, S.A.U. (formerly Concursos Multiplataformas, S.A.U.)

Concursos Multiplataformas, S.A.U. has established its registered office at Carretera de Fuencarral a Alcobendas, no. 4, Madrid.

The Company's object is to carry out activities typical of a gaming and betting operator, including the organisation, marketing and operation of games, betting activities, raffles, competitions and any other activities in which sums of money or items of economic value are placed at stake in any manner, on the basis of uncertain future outcomes, and in which such sums of money or items of economic value may be transferred among participants, regardless of whether the level of skill of the player is decisive in the outcomes or they depend wholly or fundamentally on luck, stakes or chance. Also included are the advertising, promotion and sponsorship of such activities. All this in accordance with Law 13/2011, of 27 May, on the regulation of gaming.

On 4 June 2019 the company name was changed from Concursos Multiplataformas, S.A.U. to Grupo Audiovisual Mediaset España Comunicación, S.A.U.

2. Fully consolidated companies (directly owned by Producción y Distribución de Contenidos Audiovisuales Mediterráneo, S.L.U. (formerly Sogecable Editorial, S.L.U.))

Telecinco Cinema, S.A.U.

Digitel 5, S.A.U. was incorporated in Madrid on 23 September 1996, and its registered office is at Carretera de Fuencarral a Alcobendas, no. 4, Madrid.

The change of name from Digitel 5, S.A.U. to Estudios Picasso Fábrica de Ficción, S.A.U. was formally registered in the Commercial Register in November 1999.

In May 2007 its change of company name to Producciones Cinematográficas Telecinco, S.A.U. was registered at the Madrid Commercial Registry.

In November 2007 the new change of company name to Telecinco Cinema, S.A.U. was registered at the Mercantile Registry.

The company object includes mainly, but is not limited to, the provision of television broadcasting services through digital technology; research, development and commercialisation of new technologies related to telecommunications; all activities required for any type of television broadcasting; intermediation in the audio-visual rights markets; organisation, production and broadcasting of shows or events of any kind.

Megamedia Televisión, S.L.

The company Megamedia Televisión, S.L. was incorporated on 17 May 2013 under the name Volare Media, S.L. On 12 September 2013 it changed its name to the current Megamedia Televisión, S.L. It currently has its registered office at calle Federico Mompou, 5 BIS edificio G in Madrid.

Its corporate purpose is, among others, to provide production services for television and internet programs, to produce and program advertising campaigns and to develop computer applications.

Supersport Televisión, S.L.

The company Supersport Televisión, S.L. was established on 17 May 2013 under the name of Volare Sport, S.L. On 12 September 2013 it changed its name to the current name Supersport Televisión, S.L. It currently has its registered office at calle Federico Mompou, 5 in Madrid.

Its corporate purpose is the production of television and internet programmes, the production and programming of advertising campaigns and the development of technological applications.

El Desmarque Portal Deportivo, S.L.

The company El Desmarque Portal Deportivo, S.L. was established on October 3rd, 2006. Its registered office is in Seville, Avenida Menéndez Pelayo, number 20, 1st floor.

Its corporate purpose is the information and dissemination of current political, sporting, cultural, religious, economic and social events and facts, television production services through the media, television, radio, print media, Internet, computer and telematics.

3. Full consolidation (directly owned by Publiespaña, S.A.U.)

Publimedia Gestión, S.A.U.

Publimedia Gestión, S.A.U. was incorporated in Madrid on 23 November 1999. The company's registered office is at Carretera de Fuencarral a Alcobendas, no. 4, Madrid. It operates throughout Spain through its office in Madrid.

The main activity of this Company is the marketing of advertising spaces in the mass media.

This company is currently inactive.

Netsonic, S.L.U.

Netsonic, S.L.U. has established its registered office at Carretera de Fuencarral a Alcobendas, no. 4, Madrid.

Its company object is the creation of an online video advertising network that unifies the audience of Latin American countries of both international media groups (with an audience in Latin America) and Latin American themselves.

In 2017, Publiespaña, S.A.U. acquired the portion held by non-controlling interests, thereby attaining a 100% ownership interest.

ASSOCIATES OF MEDIASET ESPAÑA COMUNICACION, S.A.

Associates are entities over which the Company has the capacity to exercise significant influence (which is presumed to exist when the ownership interest is at least 20%), but not direct control.

1. Indirect ownership through Telecinco Cinema, S.A.U.

Company	2019	2018	Line of business
Economic Interest Grouping Furia de Titanes II, A.I.E. C/ Teobaldo Power, 2-3ºD Santa Cruz de Tenerife	34%	34%	Presentation for its own account or for the account of third parties of telecommunication services in any form and by any means, known or to be known, in accordance with the law at all times, involvement in any form whatsoever, in the creation, production, distribution and any kind of exploitation of audio-visual works, fiction, animation or documentaries.

2. Indirect ownership through Publiespaña, S.A.U.

Company	2019	2018	Line of business
Aunia Publicidad Interactiva, S.L. C/Orense, 85 Madrid	50%	50%	Provision of all manner of audio-visual communications services.
Adtech Ventures, S.p.A. Via Paleocapa, Pietro 3-Edif. Lexington Milan	50%	50%	The sale, in Italy and abroad, of advertising in the various media: press, internet, apps, Smart TV, radio, digital television channels, as well as other digital media and any further technological developments thereof. The provision of services relating to the planning of campaigns and events both in Italy and in other countries. Management of campaigns on automated advertising sale technology platforms. Development or acquisition of technology for the management and sale of new advertising formats.

3. Indirect ownership interest through Conecta 5 Telecinco, S.A.U.

Company	2019	2018	Line of business
Megamedia Televisión, S.L. C/ Federico Mompou, 5 bis 28049 Madrid	-	30%	Creation, development, production and exploitation of multimedia audio-visual content.

4. Indirect ownership through Producción y Distribución de Contenidos Audiovisuales Mediterráneo, S.L.U. (formerly Sogecable Editorial, S.L.U.)

Company	2019	2018	Line of business
Producciones Mandarina, S.L. C/ María Tubau, 3 28050 Madrid	30%	30%	Creation and development of audio-visual content, as well as the production and commercial exploitation thereof.
La Fábrica de la Tele, S.L. C/ Frómista, 5 28050 Madrid	30%	30%	Creation and development of audio-visual content, as well as the production and commercial exploitation thereof.
Supersport Televisión, S.L. C/ Federico Mompou, 5 Bis 28049 Madrid	-	30%	Production of news-based programmes, particularly with sports content.
Bulldog TV Spain, S.L. C/ Orense, 56, 10ºB 28020 Madrid	30%	30%	Audio-visual production, creation and development of audio-visual content in any format and the production of this content by any broadcasting means.
Alma Productora Audiovisual, S.L. C/ Alfonso XII, 8, 2º Dcha. 28014 Madrid	30%	30%	Production and distribution of programmes and audio-visual productions on any technical media.
Unicorn Content, S.L. Pso. Castellana, 129 Bajo A y B 28046 Madrid	30%	30%	Production of television programmes.
Alea Media, S.A. Avda. Alfonso XIII, 1 28002 Madrid	40%	40%	Creation, development, production, acquisition and commercial exploitation, by any lawful means, of literary, musical, visual and audio-visual works, including audio-visual recordings.
Melodía Producciones, S.L. (*) C/ Serrano Anguita, 10 28004 Madrid	40%	40%	Creation, development, production, acquisition and commercial exploitation of literary, musical, visual and audio-visual works, including audio-visual recordings.
Pagoeta Media, S.L. Avda. Alfonso XIII, 1 28002 Madrid	40%	-	Sound recording and music edition activities
Alea La Maleta, SL Ava. Alfonso XIII, 1 28002 Madrid	40%	-	Performing arts

Mediaset España Comunicación, S.A. and Subsidiaries
Explanatory Notes to the Consolidated Financial Statements
for the year ended 31 December 2019
(In thousands of euros)

DISCLAIMER: The English version is a translation of the original in Spanish for information purposes only. In case of a discrepancy, the Spanish original will prevail.

(*) This company has been in liquidation since 10 October 2018

These companies are accounted for using the equity method since the Group does not have either a majority shareholding or control.

None of the above companies is listed.

The Parent Company has made the corresponding disclosures to the investees in accordance with the provisions of the Spanish Limited Liability Companies Law and there is no commitment to incur contingencies in respect of these companies.

JOINT VENTURES OF MEDIASET ESPAÑA COMUNICACIÓN, S.A.

In 2019 the Group began a new investment in a joint venture through its subsidiary Supersport Televisión, S.L.

Company	2019	2018	Line of business
Telefónica Broadcast, S.L.U. - Supersport Televisión, S.L. Unión temporal de empresas Ley 18/1982 Ronda de la Comunicación s/n 28050 Madrid	50%	-	Technic, management and production contents Service for Real Madrid Media

This new investment was included in the Consolidated Financial Statements as a joint venture since it is considered that, based on the contractual agreement in force, the Group is entitled to the assets and has an obligation with respect to its liabilities in its percentage of ownership. Consequently, this interest has been proportionally consolidated since its commencement in May 2019. The magnitude of this operation did not have a significant impact on any of the items in the Consolidated Financial Statements for 2019 taken as a whole.

2. Basis of presentation and comparability of the Consolidated Financial Statements

2.1. Fair presentation and compliance with International Financial Reporting Standards

The Group's Consolidated Financial Statements for 2019 were prepared:

- By the directors, at the Board of Directors Meeting held on 26 February 2020.
- In accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, in conformity with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council.

Also, these Consolidated Financial Statements were prepared:

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- Taking into account all the mandatory accounting principles and rules and measurement bases with a material effect on the consolidated financial statements, as well as the alternatives permitted by the relevant standards in this respect, and which are specified in these Consolidated Financial Statements.
- So that they present a fair image of the Group's consolidated equity and financial position as at 31 December 2019 and the results of its operations, the changes in consolidated equity and the consolidated cash flows in the year ended on the said date.
- On the basis of the accounting records kept by the Parent Company and by the other Group companies.

The Company is the Parent of Group of Companies, and it is therefore obliged to present Consolidated Financial Statements in accordance with International Financial Reporting Standards as approved by the European Union for being a listed group.

Since the accounting policies and measurement bases used in preparing the Group's Consolidated Financial Statements for 2019 and 2018 (EU-IFRS) are not exactly the same as those used by the Group companies (local standards), the required adjustments and reclassifications were made on consolidation to unify the policies and methods used and to make them compliant with the International Financial Reporting Standards adopted in the European Union (EU-IFRSs).

The Group's Consolidated Financial Statements and the Annual Accounts of the Group companies for 2019 are pending approval by their respective General Shareholder's Meetings and are expected to be approved without any changes.

The Consolidated Statement of Comprehensive Income is presented in two statements, one statement showing the components of income (Consolidated Statement of Profit or Loss) and a second statement showing the components of other comprehensive income (Consolidated Statement of Comprehensive Income).

The Consolidated Statement of Profit or Loss is presented by the nature of its expenses.

The Consolidated Statement of Cash Flows is presented using the indirect method.

At the date of preparation of these Consolidated Financial Statements, the Group had applied all the IFRS and interpretations that were compulsory and approved by the European Union (EU-IFRS) and in force for the years commencing on or after 1 January 2019.

In accordance with corporate legislation, the figures for the previous year are presented for comparison purposes with each of the items in the Consolidated Statement of Financial Position, the Consolidated Statement of Profit or Loss, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity and the Consolidated Statement of Cash Flows, in addition to the

figures for 2019. The explanatory notes also include quantitative information for the previous year, except where an accounting standard specifically states that this is not necessary.

2.2. Changes in accounting policies

a) Standards and interpretations approved by the European Union applied for the first time in this year

The accounting policies used in preparing the accompanying Consolidated Financial Statements are the same as those used to prepare the Consolidated Financial Statements for the year ended 31 December 2018, except for those that have been amended due to the first-time application of IFRS.

IFRS 16, Leases

IFRS 16 supersedes IAS 17, Leases, IFRIC 4, Determining Whether an Arrangement Contains a Lease, SIC-15, Operating Leases - Incentives and SIC-27, Evaluating the Substance of Transactions in the Legal Form of a Lease.

IFRS 16 establishes the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise all leases under a single accounting model similar to the current method of recognising finance leases.

At the lease's start date, the lessee recognises a financial liability for payments to be made over the remaining life of the lease and an asset representing a right to use the underlying asset for the same period. In addition, lessees shall recognise separately the interest expense relating to the financial liability for the lease and the depreciation expense for the right of use.

Lessees are also required to reassess the lease liability upon the occurrence of certain events by recognising the amount of the reassessed lease liability as an adjustment to the right of use.

IFRS 16 is effective for annual reporting periods beginning on or after 1 January 2019, with earlier application being permitted. The Group opted not to apply the new standard early, and it applied it for the first time for to this annual reporting period beginning 1 January 2019 by the simplified retroactive transition method.

The Group only has operating leases in which it is lessee, and has conducted a detailed assessment of the impact of this new standard on the Consolidated Financial Statements by means of the following main duties:

- Analysis of the leases entered into by the Group in order to determine whether they fall within the scope of the standard.
- With respect to the preceding point, the Group availed itself of the exemptions concerning short-term leases, as well as leases with a low-value underlying asset, pursuant to legislation.

- Identification and estimation of the discount rates to be applied to each of the leases.
- Analysis of the standard's impact on the Group's financial ratios.

In accordance with the previous points, the impacts of the initial application of IFRS 16 at 1 January 2019 on the Group's financial statements were as follows, in thousands of euros:

	Property, plant and equipment for the usage rights	Current financial debt for the acquisition of Intangible for leasing	Non-current financial debt for the acquisition of intangible for leasing
Buildings	812	203	609
Vehicles	1,499	605	894
	2,311	808	1,503

As regards their classification, the assets relating to rights of use were classified under "Property, Plant and Equipment" (see Note 6) and the financial liabilities were classified under "Other Non-Current Liabilities" and "Other Nontrade Payables (Other Payables)" in the current liabilities of the Consolidated Statement of Financial Position (see Note 17.2).

In addition, although the impacts on the Group's results are entirely trivial, non-significant, the impacts on the Consolidated Statement of Profit or Loss at 31 December 2019 are detailed below:

- Leases and Fees (Other Expenses): Decrease of 583 thousand euros.
- Amortisation of assets for rights of use: Increase of 878 thousand euros.
- Finance cost of lease liabilities: 5 thousand euros.

With regard to the Consolidated Statement of Cash Flows, since the implementation of IFRS 16, lease payments have been classified as flows from financing activities instead of as flows from operating activities, as was the case under the previously applicable standards.

There are no accounting principles or measurement criteria which, having a significant effect on the condensed consolidated financial statements, have been discontinued, including the amendments to IFRS/IAS that came into force on 1 January 2019.

Other amendments to IFRS that have not had an impact:

Amendment to IFRS 9 Advance Cancellation Features for Negative Compensation.

This amendment permits the valuation at amortised cost of certain financial assets that can be cancelled early for an amount that is less than the outstanding amount of principal and interest on that principal.

IFRIC 23 Uncertainty in Tax Treatment

This interpretation clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over the acceptability of a particular tax treatment used by the entity under tax law.

Amendment to IAS 28 Long-term Interest in Associates and Joint Ventures

This amendment clarifies that IFRS 9 should be applied to long-term interests in an associate or joint venture to which the equity method is not applied.

Amendment to IFRS 3 Business Combinations - Annual Improvement Cycle 2015-2017

Acquisition of control over a business previously registered as a joint venture.

Amendment to IFRS 11 Joint Ventures - Annual Improvement Cycle 2015-2017

Acquisition of joint control over a joint operation which constitutes a business.

Amendment to IAS 12 Income Taxes - Annual Improvement Cycle 2015-2017

Recording the tax impact of the remuneration of financial instruments classified as equity.

Amendment to IAS 23 Borrowing Costs - Annual Improvement Cycle 2015-2017

Capitalisation of interest on outstanding financing specific to an asset that is ready for use.

Amendment to IAS 19 Modification, Reduction or Liquidation of a Plan

It clarifies how to calculate the service cost for the current period and the net interest for the rest of a yearly period when there is a change, reduction or settlement of a defined benefit plan.

b) Standards and interpretations issued by the IASB, but which are not applicable in this financial year

For those standards that are estimated to have an eventual impact, management has evaluated the potential impacts of their future application and considers that their entry into

force will not have a significant effect. In this respect, the results of the evaluation carried out are as follows:

Amendments to IAS 1 and IAS 8 - Definition of 'Materiality' (mandatory application from 1 January 2020)

Amendments to IAS 1 and IAS 8 to align the definition of 'materiality' with that contained in the conceptual framework.

Amendments to IFRS 9, IAS 39 and IFRS 7 Reference Interest Rate Reform (mandatory application from 1 January 2020)

Amendments to IFRS 8, IAS 39 and IFRS 7 related to the ongoing reform of the benchmarks.

c) Standards, amendments and/or interpretations not yet approved for use in the European Union

IFRS 17 Insurance contracts

It replaces IFRS 4 and sets out the principles for the recording, measurement, presentation and breakdown of insurance contracts in order for an entity to provide relevant and reliable information to enable users of financial information to determine the effect of insurance contracts on the financial statements.

Amendments to IFRS 3 Definition of Business

Clarifications to the definition of business.

2.3. Responsibility for Information and Estimates Made

The information in these Consolidated Financial Statements is the responsibility of the Parent Company's directors.

In preparing the Group's Consolidated Financial Statements for 2019, certain estimates and assumptions were made on the basis of the best information available at 31 December 2019 on the events analysed. Events that take place in the future might make it necessary to change these estimates (upwards or downwards) in the coming years. Changes in accounting estimates would be applied prospectively in accordance with the requirements of IAS 8, recognising the effect of the change in estimates in the related Consolidated Statement of Profit or Loss.

The estimates and assumptions are reviewed on an ongoing basis. The results of the reviews of accounting estimates are recognised in the period in which they arise if they affect only that period or are recognised in the review period and subsequent periods if both are affected. The key assumptions regarding the future and the uncertainties of other key sources of estimates at the reporting date for which there is a risk that adjustments may have to be made to the carrying amounts of assets and liabilities in the coming years are described below.

- Impairment of non-financial assets

The Group assesses whether there are any indications of impairment of all the non-financial assets at the reporting date. The impairment of goodwill and other intangible assets with indefinite useful lives is analysed, where appropriate, at least once a year or whenever there is any indication of impairment. The non-financial assets are tested for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable.

If there is objective evidence that an impairment loss has been incurred, the amount of the impairment loss is measured as the difference between the carrying amount of the asset and its recoverable amount, which is calculated as the higher of fair value and the present value of the estimated future cash flows discounted using an appropriate discount rate to obtain the present value of those cash flows.

- Impairment of financial assets

At the end of each reporting period the Group assesses whether there is any indication of impairment of its financial assets or groups of financial assets, including the investments in companies accounted for using the equity method.

For assets recognised at amortised cost, a loss is recognised, where applicable, when there is objective evidence thereof, recognised in the form of a provision. The amount of the loss is measured as the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the original effective interest rate of the financial asset.

Any impairment of available-for-sale financial assets is recognised as the difference between their cost (net of any principal repayment and amortisation) and their current fair value, less any impairment loss previously recognised in the Consolidated Statement of Profit or Loss.

- The useful life of the property, plant and equipment and intangible assets

The Group periodically reviews the useful lives of its property, plant, and equipment and intangible assets, adjusting the depreciation and amortisation charge prospectively if the estimates change.

- Recoverability of deferred tax assets

If the Group or any of the Group companies recognise deferred tax assets, the corresponding estimates of taxable profits expected in future years are reviewed at the reporting date in order to assess the recoverability of the deferred tax assets based on their last year for deduction and, where appropriate, the related impairment loss is recognised where such recoverability is not assured.

- Provisions for taxes and other risks

The Group recognises a provision for taxes and other risks in accordance with the accounting policy described in Note 4.19 to these Consolidated Financial Statements. The Group made judgements and estimates regarding the probability of the occurrence of these risks, as well as the amount thereof, and recognised a provision when the risk was considered probable, estimating the cost that would arise from such an obligation.

3. Proposed distribution of the profit of the Parent

The proposed distribution of the Parent Company's profit prepared by the directors, which has not yet been approved by the shareholders at the Annual General Shareholders Meeting, is as follows (expressed in thousands of euros):

Basis of distribution	
Profit	168,918
Total	168,918
Distribution	
Ordinary dividend	-
To reserves	168,918
Total	168,918

Restrictions on the distribution of dividends

The Parent Company is obliged to transfer 10% of the profit for the year to a legal reserve until this reserve reaches an amount at least equal to 20% of share capital. This reserve may not be distributed to shareholders until it has reached 20% of share capital. At the date of preparation of these financial statements, the legal reserve is fully constituted.

Once the requirements set by law or the company's Articles of Association have been met, dividends may only be distributed against profit for the year or against freely distributable reserves if the value of equity is not lower than share capital or would not be caused to be less than share capital by the distribution of dividends. Accordingly, profit recognised directly in equity may not be distributed either directly or indirectly. Where losses exist from previous years that reduce the Company's equity to below the amount of share capital, profit must be allocated to offset these losses.

At its meeting on 27 February 2019, the Parent's Board of Directors resolved to transfer the profit to the Company's unrestricted reserves, which are recognised under "Other Reserves".

4. Accounting policies

The main accounting policies applied in the preparation of the Group's Consolidated Financial Statements were as follows:

4.1. Basis of consolidation

The Consolidated Financial Statements comprise the Financial Statements of the Parent Company and its subsidiaries at 31 December 2019. Control is obtained when the Group is exposed to, or has rights to, variable returns arising from its involvement in a subsidiary and has the ability to influence such returns through the exercise of its power over the subsidiary. Specifically, the Group controls a subsidiary if, and only if, the Group has:

- Power over the subsidiary (existing rights that give it the power to govern the significant activities of the subsidiary).
- Exposure, or rights, to variable returns from its involvement with the subsidiary.
- It can influence such returns by exercising its power over the subsidiary.

Generally, there is a presumption that the majority of voting rights supposes control. To support this presumption and when the Group does not have a majority of the subsidiary's voting or similar rights, the Group considers all relevant facts and circumstances to assess whether it has power over the subsidiary, including:

- Contractual agreements with other owners regarding the subsidiary's voting rights.
- Rights arising from other contractual agreements.
- Potential voting rights of the Group.

The Group reassesses whether it has control over a subsidiary if the facts and circumstances indicate that there are changes in one or more of the elements that determine control. Consolidation of a subsidiary begins from the date the Group obtains control of the subsidiary and ceases when the Group loses control of the subsidiary. The assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the Consolidated Financial Statements from the date on which the Group obtains control or until the date on which the Group loses control.

Gains or losses and each of the components of other comprehensive income are attributed to the owners of the shares of the Group's Parent Company and to non-controlling interests, even if this means that the non-controlling interests have a debit balance. Where necessary, adjustments are made to the annual accounts of the subsidiaries to adapt the accounting policies to those applied by the Group. Intragroup assets and liabilities, equity, income, expenses and cash flows arising from transactions between Group companies are eliminated in full on consolidation.

Any change in the percentage of ownership in a subsidiary where control is not lost is recognised as a transaction involving equity instruments.

When the Group loses control of a subsidiary, it derecognises the related assets (including goodwill), related liabilities, non-controlling interests and other equity components,

recognising any gain or loss in profit or loss for the year. Any investments retained in the former subsidiary are recognised at fair value.

All the items that make up property, plant and equipment and intangible assets are linked to the production and obtainment of revenue of the business activity.

4.2. Conversion of financial statements of foreign companies

The Consolidated Financial Statements are presented in euros, which is the Parent Company's functional and reporting currency. Each Group entity determines its own functional currency and the items included in the financial statements of each entity are recognised using this functional currency when applicable. Where necessary, the items in the statement of financial position and the statement of profit and loss of the foreign companies included in consolidation are translated using the year-end exchange rate method which means:

- All assets, rights and obligations are translated using the exchange rate prevailing at the foreign companies' year-end.
- Income and expense items are translated at an average exchange rate for the year.

Any difference between the amount of the equity of foreign companies, including the balance of the Consolidated Statement of Profit or Loss in accordance with the foregoing paragraph - converted at the historical exchange rate- and the net equity position resulting from the conversion of the assets, rights and obligations in accordance with the preceding section, is recorded with the corresponding negative or positive sign in the equity of the Consolidated Statement of Financial Position.

4.3. Related parties

“Related Parties” in the Consolidated Statement of Financial Position includes the balances receivable from and payable to significant shareholders and associates. The other balances generated in related-party transactions with members of the Board of Directors or key management executives are classified under the related headings in the Consolidated Statement of Financial Position.

4.4. Current/Non-current classification

In the accompanying Consolidated Statement of Financial Position, the assets and liabilities maturing within no more than 12 months are classified as current assets and liabilities and those maturing within more than 12 months are classified as non-current assets and liabilities.

All audio-visual property rights which the Group expects to consume in a period of less than 12 months are included under non-current assets and detailed in Note 8.

4.5. Property, plant and equipment

The assets included in property, plant and equipment are measured using the cost model, which includes the acquisition price of the assets plus the additional expenses incurred until they are ready for their intended use. Items of property, plant and equipment are measured at the lower of acquisition price and recoverable amount.

Repairs that do not lead to a lengthening of the useful life of the assets and maintenance costs are charged to the Consolidated Statement of Profit or Loss.

Depreciation of property, plant and equipment is calculated systematically using the straight-line method over the useful life of the assets, based on the actual decline in value caused by their use and wear and tear.

The depreciation rates used to calculate the depreciation of the various items of property, plant and equipment are as follows:

	<u>Depreciation rate</u>
Buildings	3%
Technical TV equipment	20 %
Facilities	10 %
Tools	20 %
Furniture	10 %
Computer hardware	25 %
Transport equipment	14-15%
Other items of property, plant and equipment	20 %

4.6. Intangible assets

Intangible assets are recognised at cost. The cost of intangible assets acquired in a business combination is the fair value on the date of acquisition. After initial recognition, intangible assets are recognised at cost less accumulated amortisation and existing accumulated impairment losses. An intangible asset is recognised if, and only if, it is probable that it will generate future economic benefits for the Group and that its cost can be measured reliably.

- Development expenditure

Development expenditure relates solely to software projects that have reached the development stage. They are measured at cost and charged to specific projects up to the time of completion, provided that the financing necessary for completion is reasonably assured and there are sound reasons to foresee the technical success of the project.

- Concessions, patents and trademarks

This heading relates mainly to the intellectual property for usage licences and the television channel concessions.

The "Cuatro" trademark and the licence to operate the "Cuatro" multiplex were identified in the process of allocating the acquisition price of Grupo Sogecuatro. The useful life of the "Cuatro" trademark is estimated to be 20 years.

The licence is treated as an intangible asset with an indefinite useful life. Intangible assets with indefinite useful lives are not amortised, but rather are tested for impairment at least annually, or when there are indications of impairment.

- Computer software

"Computer Software" includes the amounts paid for access to the title to or the right to use computer programs. Computer software maintenance costs are charged directly as an expense in the year in which they are incurred.

They are amortised over three years from the date they come into use.

4.7. Audio-visual property rights

4.7.1. Rights on external productions

These consist mainly of audio-visual property rights acquired for a period longer than the financial year. They are recognised at acquisition price and the individual value of each right is included. If they are acquired in closed packages which do not detail the individual value of each audio-visual property right, the allocation of individual values is calculated on the basis of a weighting equal to the cost of acquiring audio-visual property rights of a similar type and category to those that would have been purchased individually.

The cost of audio-visual property rights acquired in a business combination is the fair value on the date of acquisition.

The right is recognised when the material is accepted for screening per the contract or at the date on which the rights commence, whichever is earlier. In the case of several rights associated with the same contract, which are accepted in the same year but on different dates, the Group recognises the acquisition of the rights in the contract on the date on which the first of these rights is accepted for screening or on the date on which the rights commence, whichever is the earlier.

They are charged to audio-visual property rights used in the Consolidated Statement of Profit or Loss on the basis of the number of screenings aired, as follows:

1. Films and TV Movies (non-serialised products)

- 1.1. Rights to 2 screenings as per the contract:

First screening: 50% of the cost of acquisition.
Second screening: 50% of the cost of acquisition.

1.2. Rights to 3 or more screenings as per the contract:

First screening: 50% of the cost of acquisition.
Second screening: 30% of the cost of acquisition.
Third screening: 20% of the cost of acquisition.

2. Other products (serialised)

Rights to 2 or more screenings as per the contract:

First screening: 50% of the cost of acquisition.
Second screening: 50% of the cost of acquisition.

In the event of the sale of a television programme to a third party, the value of the programme, calculated in accordance with the percentages indicated above, is depreciated on the basis of the signal distribution capacity of the purchasing television company, and a cost of sales is recognised on the basis of the revenue generated in the territory in which the programme is sold, with adjustments being made to the unsold value of the programme in question.

Valuation adjustments are applied to these rights where necessary, as detailed in Note 4.11.

4.7.2. Rights on in-house productions of serialised products

This heading includes those productions which the Group - based on its title thereto - may screen and subsequently sell.

The value thereof includes both the costs incurred directly by the Group and the amounts billed by third parties.

The cost of audio-visual property rights acquired in a business combination is the fair value on the date of acquisition.

The residual value, which is estimated at 2% of the total cost, is amortised on a straight-line basis over a period of 3 years from the availability of the production, except in the case of the sale of these rights to third parties during the amortisation period, in which case the residual value is applied to the proceeds from the sale.

They are charged to audio-visual property rights used in the Consolidated Statement of Profit or Loss on the basis of the number of screenings aired, as follows:

- Serialised productions less than 60 minutes long and/or broadcast daily.

First screening: 100% of the amortisable value.

- Serialised productions of 60 minutes or longer and/or broadcast weekly.

First screening: 90% of the amortisable value.

Second screening: 10% of the amortisable value, except for promotional screenings.

Valuation adjustments are applied to these rights where necessary, as detailed in Note 4.11.

4.7.3. Distribution rights

Distribution rights includes the rights acquired by the Group for exploitation in all windows in Spain.

The cost of the right is that stipulated in the contract. It is recognised as a use of rights based on the expected pattern of consumption in each of the windows in which the right is exploited, as well as on the basis of the estimated audiences in each of the windows.

As soon as the right or free-to-air screening commences, the cost is reclassified to rights on external productions.

In the free-to-air television window, distribution rights are charged to audio-visual property rights used in the Consolidated Statement of Profit or Loss as in the case of audio-visual property rights, as explained in the corresponding section of these notes.

4.7.4. Coproduction rights

Coproduction rights includes the coproduction rights acquired by the Group for exploitation in all windows in Spain.

The cost of the right is that stipulated in the contract. It is recognised as a use of rights based on the expected pattern of consumption in each of the windows in which the right is exploited, as well as on the basis of the estimated audiences in each of the windows.

As soon as the right or free-to-air screening commences, the cost is reclassified to rights on in-house productions.

In the free-to-air television window, distribution rights are charged to audio-visual property rights used in the Consolidated Statement of Profit or Loss as in the case of audio-visual property rights, as explained in the corresponding section of these notes.

4.7.5. Master copies and dubbing

These correspond respectively to the support materials for audio-visual property rights and the cost of dubbing work to be carried out on the original versions.

They are measured at acquisition cost and expensed as items used in the same proportion as the audio-visual property rights to which they are associated.

4.7.6. Broadcasting rights

The costs relating to live sports broadcasting rights are recognised at the cost stipulated in the contract under "Procurements" in the Consolidated Statement of Profit or Loss. They are expensed when each event is broadcast. Advance

payments are recognised in Consolidated Statement of Financial Position under "Other Current Assets".

4.8. Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of a business combination is the sum of the fair value on the date of acquisition of the consideration transferred, and the amount of any non-controlling interests in the acquiree. For each business combination, the acquirer shall measure any non-controlling interest in the acquiree at either fair value or the non-controlling interest's proportionate share of the acquiree's identifiable net assets. The costs relating to the acquisition are recognised as expenses in the Consolidated Statement of Profit or Loss.

When the Group acquires a business, it shall classify or designate the identifiable assets acquired and liabilities assumed, as necessary, on the basis of the contractual agreements, economic conditions, accounting and operating policies and other relevant conditions existing at the acquisition date.

If the business combination is achieved in stages, the Group remeasures its previously held equity interests in the acquiree at the fair value on the date of acquisition and recognises the resulting gains or losses, if any, in the Consolidated Statement of Profit or Loss.

Any contingent consideration transferred by the Group is recognised at the fair value on the date of acquisition. Subsequent changes in the fair value of contingent considerations classified as an asset or a liability shall be recognised with any resulting gain or loss recognised either in the Consolidated Statement of Profit or Loss or in other comprehensive income. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

Goodwill is initially recognised at cost. Goodwill is the excess of the sum of the consideration transferred and the amount of any non-controlling interest recognised over the carrying amount of the assets acquired and liabilities assumed. If the fair

value of the net assets acquired exceeds the value of the consideration transferred, the Group remeasures them to ensure that all the assets acquired and all the obligations assumed have been correctly identified and reviews the procedures applied to measure the amounts recognised at the acquisition date. If this revaluation results in an excess of the fair value of the net assets acquired over the aggregate amount of the consideration transferred, the difference is recognised as a gain in the Consolidated Statement of Profit or Loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired.

For the purpose of the assessment of impairment losses, goodwill acquired in a business combination is allocated, from the acquisition date, to each cash-generating

unit of the Group or group of cash-generating units that are expected to benefit from the synergies of the business combination, irrespective of whether other assets and liabilities of the Group are allocated to those cash-generating units or groups of units.

Impairment of goodwill is determined by assessing the recoverable amount of the cash-generating unit or group of units to which goodwill relates. If the recoverable amount of the cash-generating unit or units is less than their carrying amount, the Group recognises an impairment loss.

Impairment losses relating to goodwill may not be reversed in future periods.

If goodwill has been allocated to a cash-generating unit and the entity sells or otherwise disposes of an activity within that unit, the goodwill associated with the activity is included in the carrying amount of the activity when determining the gain or loss on disposal and shall be measured on the basis of the relative values of the activity disposed of and that part of the generating unit that is retained.

4.9. Non-current financial assets in companies accounted for using the equity method and joint ventures

EQUITY METHOD

The equity method is applied to companies in which the Group exercises significant influence, directly or indirectly, through holding 20% or more of the voting power of the investee.

The investment in an investee is initially recognised at cost and increased or decreased by the post-acquisition-date change in the investor's share of net assets of the investee.

The value of these investments in the Consolidated Statement of Financial Position includes, where applicable, the goodwill arising on the acquisition thereof.

The corresponding percentage of the investee's profit or loss is recognised in consolidated profit or loss for the year. When there is a change that the associate recognises directly in its statement of comprehensive income, the Group recognises its share of that change and discloses it, where applicable, in the Consolidated Statement of Comprehensive Income.

Dividends received from investments reduce the carrying amount of the investment.

Once the equity method has been applied and the value of the associate recognised, if there are any indications of impairment of the investment, the analyses and testing for possible impairment are carried out so that the impact of the impairment loss can be recognised in the year in which it is detected.

If the Group's share of the losses of an associate equal or exceed its interest in the associate, the investor discontinues recognising its share of further losses. The interest in an associate is the carrying amount of the investment in the associate

determined using the equity method together with any long-term interests that, in substance, form part of the Group's net investment in the associate. Losses recognised using the equity method in excess of the Group's investment in ordinary shares are applied to the other components of the Group's interest in an associate in the reverse order of their seniority (i.e. priority in liquidation).

If the Group ceases to have significant influence over the associate, it measures and recognises the investment at fair value. Any difference between the carrying amount of the associate when significant influence is lost, and the fair value of the investment retained is recognised in the Consolidated Statement of Profit or Loss.

Additionally, the amounts recognised in the reserve accounts of associates that can be recycled to the Consolidated Statement of Profit or Loss are reclassified and the investment in the associate is recognised under Non-Current Financial Assets in the Consolidated Statement of Financial Position.

JOINT VENTURES

Joint ventures are those in which, on the basis of a contractual agreement, there is an entitlement to assets and an obligation to liabilities. These interests are integrated proportionally.

4.10. Financial assets

Since 1 January 2019, the Group has classified its financial assets in the following measurement categories:

- those measured at amortised cost, and.
- those measured after initial recognition at fair value (either through profit or loss or through other comprehensive income).

i) Classification

The classification depends on the entity's business model for managing financial assets and the contractual terms and conditions of the cash flows.

For assets measured at fair value, gains and losses are recorded in income or in equity. For investments in equity instruments that are not categorised as Investments accounted for using the equity method, recognition depends on whether the Group made an irrevocable choice at initial recognition to account for the investment in equity at fair value through other comprehensive income.

ii) Recognition and derecognition

Conventional purchases and sales of financial assets are recognised at trade date, namely, the date on which the Group undertakes to buy or sell the asset. Financial assets are derecognised when the rights to the cash flows from the related financial asset expire or are transferred and when the Group has also transferred substantially all the risks and rewards of ownership.

iii) Measurement

The Group has financial assets that are measured at amortised cost and at fair value. Financial assets measured at amortised cost are initially recognised by the Group at fair value plus any transaction costs directly attributable to the acquisition of the financial asset.

Debt instruments

Debt instruments consist of contractual cash flows representing only payments of principal and interest. These debt instruments are subsequently measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest method. Any gain or loss arising from the derecognition of the assets is recognised directly in profit or loss for the year and is presented under other gains/(losses) together with exchange gains and losses. Impairment losses are presented as a separate item in the statement of profit or loss.

Equity instruments

Investments in equity instruments that are excluded from the scope of consolidation since neither control nor significant influence is exercised are initially and subsequently recognised at fair value. Subsequent fair value changes are irrevocably recognised in equity and cannot subsequently be recognised in profit or loss. These financial assets relating to investments in equity instruments are recognised under Non-Current Financial Assets (see Note 11).

4.11. Impairment of non-current assets

4.11.1. Non-financial assets

The Group regularly assesses, and at least at each year-end, whether there are any indications that the assets or cash-generating units may have become

impaired. If there is any indication of impairment, or when accounting standards require an annual impairment test, the Group estimates the recoverable amount of the asset or cash-generating units. The recoverable amount of an asset or cash-generating unit is the higher of fair value less costs of sale and its value in use.

In assessing value in use, future cash inflows are discounted to present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or Cash-Generating Unit. To determine fair value less estimated costs of sale, calculations were made in accordance with valuation models or other available fair value indicators.

Where the assets themselves do not generate cash flows that are independent from another asset or group of assets, the recoverable amount of the Cash-Generating Unit to which the assets belong is determined.

When the carrying amount of an asset or Cash-Generating Unit exceeds its recoverable amount, the asset is considered impaired and its carrying amount is reduced to its recoverable amount. The impairment losses are recognised in the Consolidated Statement of Profit or Loss.

At each year-end, the Group assesses whether there is any indication that previously recognised impairment losses may no longer exist or may have been reduced. If this is the case, the Group makes an estimate of the recoverable amount. Except in the case of goodwill, a previously recognised impairment loss may be reversed if there is a change in the causes that determined it. Such reversal is recognised in the Consolidated Statement of Profit or Loss. The increased amount may not exceed the amount that would have been due, net of amortisation, had no such impairment of the asset been recognised.

Goodwill and other intangible assets

The impairment test for goodwill and assets with indefinite useful lives is performed by evaluating the recoverable amount of each Cash-Generating Unit (or group of cash-generating units) associated with them. If the recoverable amount of the Cash-Generating Units is less than their carrying amount, an impairment loss is recognised. At 31 December 2019, the recoverable amount of the aforementioned units exceeds the carrying amount (see Note 9).

4.11.2. Financial assets

Financial assets measured at amortised cost and contract assets are subject to the impairment requirements of the new IFRS 9. This requires the recognition, at the date of initial recognition of a financial asset, of the expected credit loss that results from a default event on a financial instrument that are possible within the twelve months after the reporting date (twelve-month expected credit losses) or over the expected life of the financial instrument, depending on the changes in the credit risk

of the financial assets since initial recognition or applying the simplified approach permitted by the standard for certain financial assets.

The Group's most significant financial instruments relate mainly to receivables from third-party customers arising from the sale of advertising in various free-to-air television channels on the various website platforms that belong to the Group. The Group prepares estimates of the expected loss based on the credit risk of these financial assets based on historical default rates.

For those assets where it is possible, the Group applies the simplified approach of expected credit losses on the financial instruments.

4.12. Inventories

The cost of producing in-house programmes is determined taking into account all the costs attributable to the product incurred by the Group. The cost of inventories

acquired in a business combination is the fair value on the date of acquisition. It also includes advances paid for programmes.

These are charged to the Consolidated Statement of Profit or Loss when they are broadcast.

4.13. Cash and cash equivalents

Cash and cash equivalents include cash on hand and at banks and short-term demand deposits at banks with an initial maturity of three months or less.

4.14. Grants

These amounts received from official bodies are recognised when they are received and the conditions attaching to the grants are accepted.

The difference between the nominal value of the amount received and the fair value of the same is treated as a reduction of the financed asset, and is charged to income in accordance with a financial criterion.

4.15. Treasury shares

Repurchased equity instruments (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in the Consolidated Statement of Profit or Loss on the purchase, sale, issue or cancellation of the parent company's own instruments. Voting rights on treasury shares are cancelled and no dividends are allocated to them.

4.16. Financial liabilities

Financial liabilities are initially recognised at fair value less attributable transaction costs. Subsequent to initial recognition, financial liabilities are measured at amortised cost, and the difference between the cost and repayment value is recognised in the Consolidated Statement of Profit or Loss over the term of the loan using the effective interest method.

Liabilities maturing within no more than 12 months from the date of the Consolidated Statement of Financial Position are classified as current liabilities and those maturing within more than 12 months are classified as non-current liabilities.

4.17. Derivative financial instruments

Cash flow hedges are hedges of exposure to changes in cash flows that are attributable to a specific risk associated with a recognised asset or liability or a highly probable forecast transaction and may affect the Consolidated Statement of Profit or Loss.

Derivatives are initially recognised at fair value on the date on which the arrangement is entered into and are subsequently measured at fair value at each reporting date.

The accounting for subsequent fair value changes depends on whether the derivative has been designated as a hedging instrument and, if it has, on the nature of the hedged item.

The Group uses certain financial derivatives to manage its exposure to exchange rate changes. In 2019 and 2018 the derivatives are not material (see Notes 13.1 and 13.2).

The exchange rate derivatives available to the Group at 31 December 2019 are considered to be trading instruments and the effect of the valuation differences is recorded in the Consolidated Statement of Profit or Loss.

Furthermore, at 31 December 2019, the Group held derivatives relating to equity instruments for options on financial investments (Notes 11 and 13.2) measured at market value at the date of the transaction, changes in the value of which are recognised in Consolidated Net Equity.

Also, the fair values of derivative financial instruments are classified as current and non-current assets or liabilities and are detailed in Note 13.2.

4.18. Derecognition of financial assets and liabilities

4.18.1. Financial assets

A financial asset (or, where applicable, a part of the financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows of the asset have expired.

- The Group retains the right to receive cash flows from the asset but has assumed the obligation to pay them in full without delay to a third party under a transfer agreement.
- The Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has not transferred or substantially retained all the risks and rewards of the asset, but has transferred control over the asset.

When the Group has transferred its rights to receive cash flows from an asset and has not transferred or substantially retained all the risks and rewards of the asset and has not transferred control of the asset, the Group continues to recognise the asset to the extent that it remains involved in the asset. Continuing involvement that takes the form of a guarantee on the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration received that the entity may be required to return.

4.18.2. Financial liabilities

A financial liability is derecognised when the related obligation is settled, cancelled or expires.

The Group will account for exchanges of debt instruments with a lender, provided that the instruments have substantially different terms, such as a cancellation of the original financial liability and consequent recognition of a new financial liability. Similarly, a substantial change in the terms and conditions of an existing financial liability or part thereof is accounted for as a cancellation of the original financial liability and consequent recognition of a new financial liability. The difference between the carrying amount of the financial liability cancelled and the consideration paid, which includes any non-cash assets transferred or liabilities assumed, shall be recognised in profit or loss.

If it is determined that the new terms and conditions or modifications to a financial liability are not substantially different from the existing terms and, therefore, it is determined that the modification is not significant, the existing financial liability is not derecognised. The Group recalculates the gross carrying amount of the financial liability and recognises a modification gain or loss in the income statement. The gross carrying amount of the financial liability is recalculated as the present value of the renegotiated or modified contractual cash flows discounted at the financial liability's original effective interest rate.

4.19. Provisions for Risks and Charges

Provisions are recognised in the Consolidated Statement of Financial Position when the Group has a present obligation (whether legal or constructive) as a result of past events with respect to which it is probable that an outflow of resources embodying

future economic benefits will be required to settle the obligation. The amounts recognised as provisions represent the best estimate of the expenditures required to offset the present value of these obligations at the date of the consolidated statement of financial position.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate of the corresponding liability at any given time.

If the time effect of money is significant, provisions are determined by discounting expected future cash outflows using market interest rates. When the discounting method is used, the increase in the provision due to the passage of time is recognised as an interest expense.

4.20. Income tax

The Parent Mediaset España Comunicación, S.A. files consolidated income tax returns with the following subsidiaries:

- Grupo Editorial Tele 5, S.A.U.
- Telecinco Cinema, S.A.U.

- Publiespaña, S.A.U.
- Publimedia Gestión, S.A.U.
- Mediacinco Cartera, S.L.U.
- Conecta 5 Telecinco, S.A.U.
- Producción y Distribución de Contenidos Audiovisuales Mediterráneo, S.L.U. (formerly Sogecable Editorial, S.L.U.)
- Advertisement 4 Adventure, S.L.U. (formerly Sogecable Media, S.L.U.)
- Grupo Audiovisual Mediaset España Comunicación, S.A.U. (formerly Concursos Multiplataformas, S.A.U.)
- Netsonic, S.L.U.

There were no changes in the tax consolidation group in 2019.

In 2018, the following changes occurred in the tax consolidation group:

Addition to the consolidated tax group through the acquisition of the minority shareholding in Netsonic, S.L.U. in 2017, (a company wholly owned by Publiespaña, S.A.U. which is in turn wholly owned by Mediaset España Comunicación, S.A.).

The income tax expense for the year is recognised in the Consolidated Statement of Profit or Loss, except in cases where it relates to items that are recognised directly in the Consolidated Statement of Comprehensive Income or in the Consolidated Statement of Changes In Equity, in which case the tax effect is recognised under that heading.

Deferred tax assets and liabilities are accounted for based on temporary differences between the tax bases of the assets and liabilities and their carrying amounts, using

the tax rates in force when the assets are realised and the liabilities are settled in accordance with the rates and laws in force at the date of the Statement of Financial Position. The deferred tax assets and liabilities that arise from changes in the Consolidated Statement of Comprehensive Income are charged or credited directly in the Consolidated Statement of Comprehensive Income. Deferred tax assets, tax loss and tax credit carry-forwards are only recognised when their future realisation is reasonably assured, and they are subsequently adjusted if the existence of tax bases to offset future profits is not considered probable.

Current tax assets and liabilities are the estimated amounts payable to or receivable from the public authorities in accordance with the tax rates in force at the date of the Consolidated Statement of Financial Position, including any other tax adjustments for prior years.

The Group recognises a deferred tax liability for all taxable temporary differences except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction which is not a business combination and which, at the time of the transaction, affected neither accounting profit nor taxable profit.
- With respect to taxable temporary differences associated with investments in subsidiaries and associates, if the timing of the reversal of temporary differences can be controlled by the Parent Company and it is probable that temporary differences will not reverse in the foreseeable future.

The Group recognises deferred tax assets for all deductible temporary differences and tax loss and tax credit carry-forwards to the extent that it is probable that there will be taxable profits against which the deductible temporary difference, tax credit or unused tax loss carry-forwards may be used, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and which, at the time of the transaction, did not affect either accounting profit or taxable profit.
- With respect to the deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that temporary differences will reverse in the foreseeable future and that there will be sufficient taxable profit available against which to apply the temporary differences.

The Group reviews the carrying amount of deferred tax assets at each year-end and reduces them to the extent that it is no longer probable that sufficient taxable profit will be available to allow some or all of the deferred tax assets to be used. The Group also reviews the unrecognised deferred tax assets at each year-end and recognises

them to the extent that it becomes probable that future taxable profits will enable the assets to be recovered.

Deferred tax assets and liabilities are offset if there is a legal right in force to offset current tax assets and liabilities and the deferred taxes are recognised by the same tax entity and relate to the same tax authority.

4.21. Revenue and expense recognition

Revenue and expenses are recognised excluding the amounts corresponding to the taxes on these transactions, with the exception of those that are not tax deductible, which would be added to the latter.

Revenue and expenses are recognised based on the actual flow of the related goods and services, regardless of when the resulting monetary or financial flow arises.

In accordance with the requirements of IFRS 15, revenue shall be recognised so that the transfer of goods or services to customers is shown at an amount that reflects the consideration that the entity expects to be entitled to receive in exchange for those goods or services.

In particular, it establishes a revenue recognition approach based on five steps:

- Step 1: Identify the contract(s) with a customer.
- Step 2: Identify the obligations set out in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the obligations set out in the contract.
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, revenue must be recognised as the obligations are met, i.e. when "control" of the goods or services underlying the obligation in question is transferred to the customer.

Revenue from the sale of services is reliably measured taking into account the degree of compliance with service obligations. The Group's main source of revenue relates to advertising revenue, which is recognised in the period in which it accrues, which occurs at the time the corresponding advertising is screened.

Expenses, including discounts and volume rebates, are recognised in the Consolidated Statement of Profit or Loss in the period in which they are incurred.

4.22. Long-term employee remuneration

In 2019 and 2018, and until the date of preparation of these financial statements, the Group did not have any share option plans in force.

A medium-term incentive and loyalty-building scheme linked to the market price of the Company was approved in 2016; this scheme is applicable from that year and is

aimed at the Group's executive directors and senior executives. The main aims of this plan are to reward the sustainability of results, align the interests of the senior executives with those of the shareholders and improve the composition of remuneration.

The system is funded annually through contributions made by each beneficiary and by the company, each assuming an equal portion, both of which are invested in the purchase of shares in Mediaset España and allocated to the beneficiary (see Note 20).

4.23. Foreign currency transactions and balances

Foreign currency transactions are converted to euros using the exchange rate on the transaction date. Gains and losses resulting from the settlement of such transactions and from the measurement at the year-end exchange rate of monetary assets and liabilities expressed in foreign currency are recognised in the Consolidated Statement of Profit or Loss.

4.24. Earnings per share

The Group calculates basic earnings per share using the weighted average number of shares outstanding during the year. The calculation of the diluted earnings per share also includes any dilutive effect of the share options granted in the period.

4.25. Environmental matters

In view of the business activities of the Group, it does not have any environmental liability, expenses, assets, provisions or contingencies that might be material with respect to its equity, financial position or results. Therefore, no specific disclosures relating to these issues are included in the explanatory notes.

5. Segment reporting

In accordance with IFRS 8, free-to-air television broadcasting is the only operating segment identified in the Group's business activities.

The Mediaset España Group does not hold any non-current assets other than financial instruments, deferred tax assets, assets relating to post-employment benefits and rights arising from insurance contracts located in a territory other than Spain for a significant amount.

Mediaset España Comunicación, S.A. and Subsidiaries

Explanatory Notes to the Consolidated Financial Statements for the year ended 31 December 2019
(In thousands of euros)

6. Property, plant and equipment

The balances and changes in the items comprising property, plant and equipment for the years ended 31 December 2019 and 31 December 2018 are as follows:

	Balance at 31.12.17	Additions	Disposals	Transfers	Balance at 31.12.18	Additions	Disposals	Transfers	Balance at 31.12.19
Cost									
Land and natural resources	14,970	-	-	-	14,970	-	-	-	14,970
Buildings and other structures	39,532	171	-	359	40,062	151	-	314	40,527
Machinery, plant and tools	111,241	1,314	(10,695)	3,626	105,486	1,043	(3,833)	3,622	106,318
Furniture and fixtures	5,026	255	(160)	-	5,121	252	(479)	-	4,894
Computer hardware	14,610	743	(848)	-	14,909	1,127	(809)	2,669	17,896
Other items of property, plant, and equipment	2,134	43	(56)	-	2,121	41	(20)	(1,561)	581
Property, plant, and equipment under construction	3,116	4,933	-	(4,389)	3,660	2,923	-	(5,044)	1,539
Right of use	-	-	-	-	-	2,923	(218)	-	2,714
Total	190,629	7,459	(11,759)	-	186,329	8,469	(5,359)	-	189,439
Accumulated depreciation									
Buildings and other structures	(27,703)	(891)	-	-	(28,594)	(872)	-	-	(29,466)
Machinery, plant and tools	(86,086)	(6,880)	10,678	-	(82,288)	(7,152)	3,822	-	(85,618)
Furniture and fixtures	(3,625)	(277)	154	-	(3,748)	(274)	475	-	(3,547)
Computer hardware	(12,609)	(1,536)	846	-	(13,299)	(1,593)	829	-	(14,063)
Other items of property, plant, and equipment	(498)	(31)	47	-	(482)	(31)	18	-	(495)
Right of use	-	-	-	-	-	(878)	-	-	(878)
Total depreciation	(130,521)	(9,615)	11,725	-	(128,411)	(10,800)	5,144	-	(134,067)
Net carrying amount	60,108				57,918		(215)		55,372

Mediaset España Comunicación, S.A. and Subsidiaries

Explanatory Notes to the Consolidated Financial Statements for the year ended
31 December 2019
(In thousands of euros)

The additions in 2019 and 2018 were due mainly to the purchase of plant to be used in the Group's continuing operations.

The additions to property, plant and equipment in the course of 2019 and 2018 are mainly due to the purchase of plant.

As a result of the implementation of IFRS 16, property, plant and equipment increased by 2,714 thousand euros (see Note 2.2). In addition, depreciation of these assets amounted to 878 thousand euros.

In 2019, 1,331 thousand euros relating to the capitalisation of work carried out by the company for the production of fiction series have been deducted from depreciation entries.

Most of the disposals in 2019 and 2018 relate to the writing-off of fully depreciated assets no longer in use. In 2019 items of property, plant and equipment with an aggregate carrying amount of 215 thousand euros were disposed of, giving rise to a loss of the same amount (34 thousand euros in 2018).

The detail of the fully depreciated items of property, plant and equipment in use at 31 December 2019 and 2018 is as follows:

	31.12.2019	31.12.2018
Buildings	13,098	11,266
Computer hardware	10,797	10,279
Machinery plant and tools	63,533	64,052
Furniture	2,128	2,470
Other items of property, plant and equipment	424	414
Total	89,980	88,481

The Group has taken out insurance policies to cover the possible risks to which its property, plant and equipment are subject and possible claims that could be brought against it in the ordinary course of its business. The Group considers that the insurance policies provide adequate coverage for such risks.

At 31 December 2019 and 2018, the Group held no assets under financial leases.

Mediaset España Comunicación, S.A. and Subsidiaries

Explanatory Notes to the Consolidated Financial Statements for the year ended 31 December 2019
(In thousands of euros)

7. Intangible assets

The balances and changes for the years ended 31 December 2019 and 31 December 2018 of the items included under the intangible assets heading are as follows:

	Balance at 31.12.17	Additions	Disposals and others	Transfers	Balance at 31.12.18	Additions	Disposals and others	Transfers	Balance at 31.12.19
COST									
Cuatro signal broadcasting license	85,000	-	-	-	85,000	-	-	-	85,000
Concessions, patents and trademarks	160,375	-	(300)	-	160,075	3,839	(51)	-	163,863
Computer software	27,616	984	(245)	765	29,120	1,215	(445)	3,299	33,189
Computer software under development	1,470	1,556	-	(765)	2,261	1,311	-	(3,299)	273
Total	274,461	2,540	(545)	-	276,456	6,365	(496)	-	282,325
ACCUMULATED AMORTISATION									
Concessions, patents and trademarks	(56,346)	(8,011)	300	-	(64,057)	(8,193)	35	-	(72,215)
Computer hardware	(23,490)	(2,290)	245	-	(25,535)	(2,616)	449	-	(27,702)
Total accumulated amortisation	(79,836)	(10,301)	545	-	(89,592)	(10,809)	484	-	(99,917)
Provisions	-	(15)	-	-	(15)	-	15	-	-
CARRYING AMOUNT	194,625				186,489		3		182,408

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The additions to computer software under development in 2019 and 2018 were due mainly to the project for renovating the Group's video platform and website.

Due to the assignment of assets for the acquisition in March 2019 of a 60% ownership interest in El Desmarque Portal Deportivo, S.L., "Concessions, Patents and Trademarks" includes additions to investments and amortisation of 3,839 thousand euros and 192 thousand euros, respectively

The disposals in 2019 and 2018 relate mainly to the withdrawal of fully depreciated and unused items. In 2019, intangible assets that were not fully amortised were derecognised, with a net carrying amount of 3 thousand euros. No disposals were recorded in the previous year.

99.9% of the net amount of "Concessions, patents and trademarks" relates to the Cuatro trademark.

At 31 December 2019 and 2018, the detail of the fully amortised intangible assets still in use was as follows:

	31.12.2019	31.12.2018
Computer software	23,561	21,766
Concessions, patents and trademarks	22	73
Total	23,583	21,839

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8. Audio-visual property rights

The balances and changes for the years ended 31 December 2019 and 31 December 2018 of the items included under the heading of audiovisual rights are as follows:

	Balance at 31/12/17	Additions	Disposals	Transfers and other	Balance at 31/12/18	Additions	Disposals	Transfers and other	Balance at 31/12/19
COST									
Rights on outside productions	391,282	90,446	(110,656)	739	371,811	86,704	(114,417)	902	345,000
Master copies	7	-	-	-	7	-	-	-	7
Dubbing	13,258	798	(1,364)	-	12,692	4,512	(824)	-	16,380
Co-production rights	192,996	3,507	(3,771)	12,559	205,291	2,279	(4,320)	9,473	212,723
In-house production rights	1,453,734	31,273	-	1,970	1,486,977	53,504	-	4,697	1,545,178
Distribution rights	29,477	-	-	-	29,477	-	-	-	29,477
Other ancillary work	749	-	-	-	749	-	-	-	749
Rights, options, script development	1,950	833	(427)	(105)	2,251	933	(426)	(946)	1,812
Start-up costs	158	-	-	-	158	-	-	-	158
Advances	13,729	12,331	-	(15,163)	10,897	25,172	-	(14,126)	21,943
Total Cost	2,097,340	139,188	(116,218)	-	2,120,310	173,104	(119,987)	-	2,173,427
ACCUMULATED AMORTISATION									
Rights on outside productions	(269,157)	(114,732)	110,656	-	(273,233)	(82,530)	114,417	-	(241,346)
Master copies	(7)	-	-	-	(7)	-	-	-	(7)
Dubbing	(12,057)	(1,312)	1,364	-	(12,005)	(2,508)	824	-	(13,689)
Co-production rights	(184,152)	(14,283)	-	-	(198,435)	(7,473)	-	-	(205,908)
In-house production rights	(1,426,737)	(23,493)	-	-	(1,450,230)	(37,393)	-	-	(1,487,623)
Distribution rights	(29,379)	(96)	-	-	(29,475)	-	-	-	(29,475)
Other ancillary work	(748)	-	-	-	(748)	-	-	-	(748)
Start-up costs	(156)	-	-	-	(156)	-	-	-	(156)
Total accumulated amortisation	(1,922,393)	(153,916)	112,020	-	(1,964,289)	(129,904)	115,241	-	(1,978,952)
Provisions	(18,553)	(16,885)	17,715	-	(17,723)	(15,369)	9,422	-	(23,670)
Total audio-visual property rights	156,394	13,517	13,517	-	138,298	4,676	4,676	-	170,805

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At 31 December 2019 and 2018, the detail of the fully amortised audio-visual property rights still in use was as follows:

	31/12/2019	31/12/2018
Master copies	5	5
Dubbing	11,568	11,621
Co-production rights	207,577	190,208
In-house production rights	1,487,622	1,450,230
Distribution rights	23,659	23,659
Other ancillary work	749	748
Start-up costs	157	156
Total	1,731,337	1,676,627

Of the total amount recognised under "Audio-visual Property Rights" classified under non-current assets in the Consolidated Statement of Financial Position as at 31 December 2019, over the coming twelve months it is estimated that approximately 53% will be consumed (84% in 2018).

The provisions existing at the closing date relate to the net book value of those rights which, although having an expiry date after 31 December, are not included in the Group's future broadcasting plans at the date of preparation of the Consolidated Financial Statements. If these rights are issued by any of the Group's channels, the provision corresponding to the broadcast would be reversed and the right would be amortised simultaneously for the same amount as the reversed provision, and consequently there would be no impact on the Consolidated Statement of Profit or Loss.

Thus, the balance of this provision corresponds primarily to the adjustment necessary to determine the net book value of the bookstore. At 31 December 2019 and 31 December 2018, the provision made in the consolidated statement of profit or loss amounted to 15,369 thousand euros and 16,885 thousand euros, respectively.

At 2019 year-end there were firm audio-visual property right purchase commitments commencing on 1 January 2020 totalling 25,465 thousand US dollars and 56,883 thousand euros. The commitments from the previous year amounted to 35,450 thousand US dollars and 90,598 thousand euros.

Of these firm commitments for the purchase of audio-visual property rights, advances have been paid which, at 31 December 2019, amounted to 578 thousand euros, with no payments in US dollars (USD). In 2018, 1,229 thousand euros were disbursed and there were no disbursements in US dollars (USD).

At year-end there were co-production right commitments commencing on 1 January 2020 amounting to 57,764 thousand euros. The commitments from the previous year amounted to 55,933 thousand euros.

Of these co-production rights commitments, advances were paid which, at 31 December 2019, amounted to a total of 20,410 thousand euros (6,374 thousand euros at 31 December 2018).

There were no firm distribution right purchase commitments commencing on 1 January 2020. At 31 December 2018, there were no firm distribution right purchase commitments.

Advances also include advances for fiction series, of which 955 thousand euros have been paid at 31 December 2019 (3,294 thousand euros at 31 December 2018).

9. Goodwill and business combinations

The acquisition of the Cuatro Group, effective 31 December 2010, gave rise to goodwill amounting to 287,357 thousand euros and to an asset with an indefinite useful life amounting to 85,000 thousand euros (see Note 7).

In 2019 this heading increased by 2,685 thousand euros due to the acquisition of 60% of the shares of El Desmarque Portal Deportivo, S.L.

Impairment tests on goodwill and intangible assets with indefinite useful lives

The impairment test was performed by comparing the recoverable amount of the cash-generating unit to which the goodwill and the intangible assets with indefinite useful lives were allocated with the carrying amount of that cash-generating unit.

The cash-generating unit is the free-to-air television business, the only one identified in the Group.

For the purposes of the impairment test, the Group used, on the one hand, its market value and, on the other, its own projections of the performance of the free to air television business, discounting the expected future cash flows. In relation to the market value, the market capitalisation of the Parent Company at 31 December 2019 amounted to 1,853,283 thousand euros, which was much higher than the carrying amount of the cash-generating unit identified, and, therefore, there was no impairment of goodwill or of intangible assets with an indefinite useful life.

The assumptions of these future flow projections include the best estimate of the advertising market behaviour, as well as of audiences and cost evolution.

The Group has estimated the future evolution of the advertising market on the basis of the expected evolution of the economy in general and considering the historical behaviour of the market and its correlation with the evolution of the economy, making projections in accordance with external information sources.

The revenue projections for the next few years are based on the estimated performance of the advertising market, taking into consideration the most reasonable assumptions in relation to audience trends.

In addition, the Group made an estimate of programming costs, chiefly considering the situation in terms of projected costs of external and internal audio-visual productions, with an estimate being made of the expenditure levels required to sustain the audience levels considered.

The main variables and assumptions made in the preparation of the aforementioned projections are as follows:

- Macroeconomic context: on the basis of macroeconomic projections published by various public and private bodies, we considered a period of stable growth in Spain over the coming years, and the maintenance of a stable situation for the free-to-air television industry.
- Performance of the free-to-air television advertising market: We considered a stable and sustainable advertising market to 2023, in line with the estimated performance of the Spanish economy in which the Group holds a market share in line with its share in recent years.
- Regulatory and technological environment: No regulatory or technological changes that could materially affect the advertising market or free-to-air television audiences were forecast or considered in our projections.
- Competitive environment: We estimated a scenario of continuity, with no significant structural changes in the industry, and with stable audience levels and the stable performance of the television advertising market. This estimate took into account both those conducted by official bodies and other recognised external sources, as well as considering historical trends. Specifically, there are no plans to grant new licences or to increase the number of channels for existing operators and, in regard of new content distribution platforms, they mainly belong to the pay per view model and, therefore, do not have a significant influence on the free-to-air TV industry.

The projections cover a 5 years period and in relation to the cash flows not considered therein, perpetual incomes were estimated using growth rates of between 0% and 1%, based on a consensus of forecasts among analysts. Also, the estimated cash flows are discounted at a rate that is in line with current market assessments of the risk-free rates and industry-specific conditions. Accordingly, the discount rate used falls within a range of 8%-9%, which is in line with 2018.

These projections have been made in "stand alone" manner for the Grupo Mediaset España business and without taking into account the implications of the effective completion of the merger with Mediaset Italia currently underway.

Sensitivity to changes in the assumptions

Management considers that, based on the information available at the reporting date, no reasonable and probable change in any of the key assumptions handled in the simulation might cause the unit's carrying amount to exceed its recoverable amount, because a significant buffer exists with respect to the carrying amount.

For the sensitivity analysis, the main variables of the model have been affected. As a joint example, by reducing the growth rate in perpetuity, reducing income by 5% and increasing the discount rate by 300 basis points, the outcome of the model would maintain the absence of signs of deterioration.

10. Investments accounted for using the equity method

The detail of the amount and the variations in the items composing this heading in 2019 and 2018 are as follows:

	Investments accounted for using the equity method
Balance at 31 December 2017	8,190
Increases/Decreases	(3,348)
Share of results of associates	6,246
Dividends received (Note 23.1)	(2,392)
Balance at 31 December 2018	8,696
Increases	200
Decreases	(893)
Share of results of associates	2,306
Dividends received (Note 23.1)	(1,696)
Balance at 31 December 2019	8,613

The dividends for 2019 relate to the subsidiaries, La Fábrica de la Tele, S.L., and Bulldog TV Spain, S.L.

The dividends for 2018 relate to the subsidiaries La Fábrica de la Tele, S.L., Producciones Mandarina, S.L., Megamedia Televisión, S.L., Supersport Televisión, S.L. y Bulldog Tv Spain, S.L.

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DISCLAIMER: The English version is a translation of the original in Spanish for information purposes only. In case of a discrepancy, the Spanish original will prevail.

The detail, by company, of the investments accounted for using the equity method is as follows:

Company	Investments accounted for using the equity method		Results of investments accounted for using	
	2019	2018	2019	2018
Pegaso Television, Inc.	-	-	-	3,626
Producciones Mandarina, S.L.	2,004	1,870	134	(174)
La Fábrica de la Tele, S.L.	3,161	2,755	1,501	1,263
Megamedia Televisión, S.L.	-	787	-	432
Supersport Televisión, S.L.	-	769	-	311
Aunia Publicidad Interactiva, S.L.	-	28	(28)	23
Alea Media, S.A.	-	(71)	(591)	(92)
Melodía Producciones, S.L.(*)	-	-	-	-
Adtech Ventures, S.p.A	213	190	(177)	(133)
Bulldog Tv Spain, S.L.	1,542	1,307	835	928
Alma Productora Audiovisual, S.L.	243	403	(160)	103
Pagoeta Media, S.L.U.	1	-	-	-
Unicorn Content, S.L.	1,449	658	792	(41)
Total	8,613	8,696	2,306	6,246

(*) This company has been in liquidation since 10th October 2018.

a) The main accounting figures for the companies consolidated under the equity method for 2019 and 2018 are shown here:

<u>2019</u>	Assets	Equity	Liabilities	Revenues	Profit/(Loss)
	(Thousands of euros)				
Producciones Mandarina, S.L.	7,946	6,680	1,266	7,143	445
La Fábrica de la Tele, S.L.	16,497	10,531	5,966	33,459	5,592
Aunia Publicidad Interactiva, S.L.	n.a.	n.a.	n.a.	n.a.	n.a.
Alea Media, S.A.	2,760	(1,655)	4,415	10,899	(987)
Pagoeta Media, S.L.U.	1,104	3	1,101	9,517	-
Melodía Producciones, S.L.	n.a.	n.a.	n.a.	n.a.	n.a.
Adtech Ventures, S.p.A	431	426	5	-	(353)
Alma Productora Audiovisual, S.L.	1,421	809	612	3,921	297
Unicorn Content, S.L.	7,331	4,832	2,499	22,616	2,639
Bulldog Tv Spain, S.L.	6,404	5,140	1,264	23,925	2,784

<u>2018</u>	<u>Assets</u>	<u>Equity</u>	<u>Liabilities</u>	<u>Revenue</u>	<u>Profit/(Loss)</u>
	(Thousands of euros)				
Producciones Mandarina, S.L.	7,491	6,234	1,257	8,943	(581)
La Fábrica de la Tele, S.L.	13,808	9,181	4,627	26,476	4,242
Megamedia Televisión, S.L.	4,333	2,622	1,711	12,165	1,440
Supersport Televisión, S.L.	3,702	2,564	1,138	10,379	1,039
Aunia Publicidad Interactiva, S.L.	613	56	557	570	40
Alea Media, S.A.	3,652	(178)	3,830	7,266	(222)
Melodía Producciones, S.L.	n.a.	n.a.	n.a.	n.a.	n.a.
Adtech Ventures, S.p.A	385	379	6	-	(264)
Alma Productora Audiovisual, S.L.	1,421	512	909	1,586	342
Unicorn Content, S.L.	7,337	2,193	5,144	19,454	2,291
Bulldog Tv Spain, S.L.	5,339	4,356	983	22,399	3,092

b) Main changes in the year

The changes in the investments accounted for using the equity method are detailed in the section on changes in the scope of consolidation included in Note 1.

2019

On 21 January 2019 the Group acquired an additional 32.5% stake in Sociedad Supersport Televisión, S.L., bringing its total stake in this company to 62.5% and, therefore, this company has been fully consolidated.

On 21 January 2019, the Group acquired an additional 35% interest in Megamedia Televisión, S.L., bringing its total stake in this company to 65% and, therefore, this company has been fully consolidated.

In 2019 Alea La Maleta, S.L.U., in which the Group holds a 100% share through its 40%-owned investee Alea Media, S.A., was accounted for using the equity method.

2018

On 5 February 2018, the Group acquired a 30% ownership interest in Bulldog Tv Spain, S.L.

In April 2018 the 43.71% ownership interest in Pegaso Televisión Inc. was sold, giving rise to a gain of 3,626 thousand euros, which was recognised under “Result of Companies Accounted for Using the Equity Method” in the Consolidated Statement of Profit or Loss.

In September 2018 the Group acquired an ownership interest of 30% in Alma Productora Audiovisual, S.L.

In October 2018 the Group acquired an ownership interest of 30% in Unicorn Content, S.L.

In 2018, Pagoeta Media, S.L.U. was accounted for using the equity method and the Group holds a 100% interest in this company through its 40%-owned investee Alea Media, S.A.

In addition, the Group sold a minority interest in January 2018, which was classified as "Non-current assets held for sale".

11. Non-current financial assets

The "Non-Current Financial Assets" relate to:

	31.12.2019	31.12.2018
Long-term guarantees	108	91
Long-term investments (Notes 13.1 and 13.2)	209,457	-
Long-term loans to related companies (Note 23.1)	1,980	956
Other financial assets (Note 13.3)	9,235	14,593
Other	12	100
Total (Note 13.2)	220,792	15,740

Long-term investments

In 2019 the Group acquired a 5.5% interest in ProSiebenSat.1 Media SE. which, added to that already held by Mediaset Italia, reached 15% of the German operator's total share capital.

This package is in line with the Group's global strategy of building a pan-European portfolio of investments in the sector which is purely industrial in nature and which, in this case, focuses on a leading company in its country which, moreover, constitutes the largest media market in Europe.

12,815,000 shares were acquired, valued at 178,257 thousand euros at 31 December 2019. This acquisition has been carried out through a combination of direct stock purchase and derivatives contracted with a leading financial institution. The variations in value of this investment, since its acquisition, have been 5,626 thousand euros and have been directly recognised in equity in "Valuation Adjustments".

To finance part of this operation, the Company has signed a loan agreement with said financial institution for an amount of 153,747 thousand euros (Note 13.2), expiring in two terms on 30 November 2022 and 31 May 2023. Said contract includes a hedging derivative of the fluctuations that the share may suffer. This hedge consists of

covering a possible decrease in the price of the shares acquired, and it was valued at December 31, 2019 at 31,200 thousand euros; and a possible increase in the price of shares valued at December 31, 2019 at 26,587 thousand euros. (Note 13.2).

Long-term loans to related companies

At 31 December 2019, it includes mainly the participating loan granted to Alea Media, S.A. amounting to 1,800 thousand euros.

Other financial assets

This heading includes various minority financial investments in equity instruments of companies that are measured at fair value with changes in equity (Note 13.3).

12. Other current assets

This heading can be broken down as follows:

	<u>31.12.2019</u>	<u>31.12.2018</u>
Prepaid expenses	32,632	8,530
Prepaid fees	36	39
Total	<u>32,668</u>	<u>8,569</u>

Prepaid expenses relate, among others, to broadcasting rights not yet used.

13. Financial instruments

13.1. Derivative financial instruments

The Group performs transactions with financial instruments the purpose of which is to hedge the foreign currency risk on the acquisition of audio-visual property rights that arise in the year and also, occasionally, to hedge the exchange rate on foreign currency commercial transactions with customers that are recognised in the Group's consolidated statement of financial position. For accounting purposes these instruments were not designated as hedging financial instruments.

The following is a breakdown, by expiry dates, of the notional values of the financial derivatives held by the Group at 31 December 2019 and 2018:

Derivatives (current assets)

	<u>2019</u>	Notional amount/ Maturity within 1 year	Amount in thousands of USD		Fair value (Note 13.2)
			US dollars	Year-end rate (EUR/USD)	
Unmatured foreign currency purchases:					
Purchases of dollars against euros		6,209	7,285	1.1234	265
Sales of dollars against euros		-	-	-	-
Net		6,209	7,285		265
	<u>2018</u>	Notional amount/ Maturity within 1 year	Amount in thousands of USD		Fair value (Note 13.2)
			US dollars	Year-end rate (EUR/USD)	
Unmatured foreign currency purchases:					
Purchases of dollars against euros		7,936	9,693	1.1450	508
Sales of dollars against euros		-	-	-	-
Net		7,936	9,693		508

These asset derivative financial instruments are classified in the Consolidated Statement of Financial Position under "Other Current Financial Assets".

Derivatives (current liabilities)

	<u>2019</u>	Notional amount/ Maturity within 1 year	Amount in thousands of USD		Fair value (Note 13.2)
			US dollars	Year-end rate (EUR/USD)	
Unmatured foreign currency purchases:					
Purchases of dollars against euros		997	1,292	1,1234	(152)
Sales of dollars against euros		-	-	-	-
Net		997	1,292		(152)

	<u>2018</u>	Notional amount/ Maturity within 1 year	Amount in thousands of USD		Fair value (Note 13.2)
			US dollars	Year-end rate (EUR/USD)	
Unmatured foreign currency purchases:					
Purchases of dollars against euros		1,059	1,328	1.1450	(93)
Sales of dollars against euros		-	-	-	-
Net		1,059	1,328		(93)

The foreign currency hedges of rights contracts are valued by the difference between the current value of the exchange rate insurance quoted at the forward rate of the contract and the value of the exchange rate insurance quoted at the year-end exchange rate.

These derivative financial liability instruments are classified in the Consolidated Statement of Financial Position under "Other payables", amounting to 152 thousand euros at 31 December 2019 (93 thousand euros at 31 December 2018).

In addition, as a result of the financing operation for the acquisition of a percentage interest in ProSiebenSat.1 Media SE (see Note 11), the Group recorded a derivative to hedge any fluctuations in the share price.

Below is a breakdown of the value of the financial derivatives by options on financial investments held by the Group on non-current assets and liabilities at 31 December 2019.

Derivatives - Non-Current Asset

	<u>2019</u>	Classification	Initial Value	Maturity	Valuation update	Tax effect	Fair Value (Note 11)
							Non-current asset
Options on financial investments		Hedge on shares	33,067	30/11/2022	(1,867)	467	31,200

Derivatives - Non-Current Liabilities

	<u>2019</u>	Classification	Initial Value	Maturity	Valuation update	Tax effect	Fair Value (Note 11)
							Non-current asset
Options on financial investments		Hedge on shares	23,619	30/11/2022	2,968	742	26,587

13.2. Financial instruments

Financial asset instruments, excluding investments accounted for using the equity method, would be reflected as follows:

(Thousands of euros)	Equity instruments		Loans, derivatives and other		Total (See Note 11)	
	2019	2018	2019	2018	2019	2018
<u>Non-current financial assets</u>						
Loans and Receivables (Note 11)	178,257	-	2,100	1,147	180,357	1,147
Measured at fair value (Note 11)	9,235	14,593	-	-	9,235	14,593
Derivatives (Note 11)	31,200	-	-	-	31,200	-
TOTAL	218,692	14,593	2,100	1,147	220,792	15,740
<u>Current financial liabilities</u>						
Loans and Receivables	-	-	232,095	225,795	232,095	225,795
Measured at fair value	-	-	-	-	-	-
Derivatives	-	-	265	-	265	508
TOTAL	-	-	232,360	226,303	232,360	226,303
TOTAL	218,692	14,593	234,460	227,450	453,152	242,043

These financial assets are classified in the Consolidated Statement of Financial Position as follows:

	2019	2018
Non-current financial assets (Note 11)	220,792	15,740
Accounts receivable	230,466	223,665
Other current financial assets	1,894	2,638
	453,152	242,043

The non-current financial assets relate mainly to the acquisition of 5.5% of the share capital of ProSiebenSat.1 Media SE. (Note 11).

Accounts Receivable includes trade receivables for sales and services net of the allowance for bad debts, the gross amount of which was 235,757 thousand euros at 31 December 2019 (229,680 thousand euros at 31 December 2018).

The expiration of the major current asset financial instruments is as follows:

2019	Balance	Maturities			
		<3 months	<6 months	<12 months	<18 months
Trade receivables for sales and services	228,677	224,464	1,757	1,744	712
Sundry accounts receivable	1,117	1,117	-	-	-
Other current financial assets	1,894	1,894	-	-	-
Total	231,688	227,475	1,757	1,744	-

2018	Balance	Maturities			
		<3 months	<6 months	<12 months	<18 months
Trade receivables for sales and services	221,183	215,756	2,042	3,385	-
Sundry accounts receivable	1,092	-	1,092	-	-
Other current financial assets	2,638	2,638	-	-	-
Total	224,913	218,394	3,134	3,385	-

The due dates of trade receivables from related parties are detailed in Note 23.1.

The financial liability instruments are classified as follows:

(Thousands of euros)	Bank borrowings		Borrowings, Derivatives and others		Total	
	2019	2018	2019	2018	2019	2018
<u>Non-current financial liabilities</u>						
Trade and other payables	153.747	-	6.187	110	159.934	110
Derivatives (Note 11)	26.587	-	-	-	26.587	-
TOTAL	180.334	-	6.187	110	186.521	110
<u>Current financial liabilities</u>						
Trade and other payables	29	44	196.599	189.158	196.628	189.202
Derivatives	-	-	152	93	152	93
TOTAL	29	44	196.751	189.251	196.780	189.295
TOTAL	180,363	44	202,938	189,361	383,301	189,405

At 31 December 2019, there were credit facilities amounting to 255,000 thousand euros (275,000 thousand euros at December 2018) with an interest rate of EURIBOR plus a market spread in line with the Group's solvency.

The maturities of these credit lines amounting to 255,000 thousand euros are distributed between March 2020 and November 2020 and it is expected that they will be renewed on maturity for amounts appropriate to the Company's operating requirements and at prices in line with the Group's financial capacity and solvency.

No amounts were drawn down in the years that are compared in these Consolidated Financial Statements.

The financial liabilities are classified in the Consolidated Statement of Financial Position as follows:

	2019	2018
Other non-current liabilities	6,187	110
Non-current bank borrowings	180,334	-
Current payables to related parties (Note 23.1)	17,448	19,369
Payables for purchases and services	118,692	105,009
Payables for purchases of audiovisual property rights	43,915	47,237
Bank borrowings	906	44
Payables for non-current asset acquisitions	2,762	1,918
Remuneration payable	12,732	15,625
Other borrowings	325	93
	383.301	189.405

In 2019, as a result of the implementation of IFRS 16, "Other non-current liabilities" increased by 1,836 thousand euros and "Other non-trade payables" increased by 878 thousand euros in the short term as a result of the implementation of the aforementioned standards. At 31 December 2019, the amounts paid for these items totalled 878 thousand euros.

"Other non-current liabilities" includes the estimated value of a put option held by the minority shareholders and exercisable in the long term on the remaining 40% of the equity of El Desmarque Portal Deportivo, S.L.

There are no differences between the fair values and the carrying amounts of the financial assets and liabilities at 31 December 2019 and 2018.

The maturity of the main financial liability instruments is as follows:

2019	Maturities			
	Balance	3 months	6 months	12 months
Payables for purchases and services	118,692	118,635	57	-
Payables for purchases of audio-visual property rights	43,915	41,285	995	1,635
Current Bank borrowings	906	906	-	-
Payables for non-current asset acquisitions	2,762	2,762	-	-
Total	166,275	163,588	1,052	1,635

2018	Maturities			
	Balance	3 months	6 months	12 months
Payables for purchases and services	105,009	102,047	2,697	265
Payables for purchases of audio-visual property rights	47,237	47,205	32	-
Current Bank borrowings	44	44	-	-
Payables for non-current asset acquisitions	1,918	1,838	80	-
Total	154,208	151,134	2,809	265

The due dates of payables to related companies are detailed in Note 23.1.

13.3. Fair value measurement

The following table shows the fair value hierarchy of the Group's assets.

Fair value hierarchy of the Group's assets at 31 December 2019:

Thousands of euros	Measurement date	Total	Measurement of fair value used		
			List price in active markets (Level 1)	Observable significant inputs (Level 2)	Unobservable significant inputs (Level 3)
Assets measured at fair value: (Notes 11 and 13.2):					
Equity Instruments	31-Dec-2019	178,257	178,257	-	-
Derivative equity instrument	31-Dec-2019	31,200	31,200	-	-
Various industries with internet platform	31-Dec-2019	9,235	292	-	8,943
Various industries with internet platform	31-Dec-2018	14,593	1,429	-	13,164

13.4. Information on the average period of payment to suppliers. Additional Provision Three. “Disclosure obligation” provided for in Law 15/2010, of 5 July

The disclosures on the average periods of payment to suppliers are as follows:

	2019	2018
(Days)		
Average period of payment to suppliers	68	65
Ratio of transactions settled	67	69
Ratio of transactions not yet settled	68	35
(Thousands of euros)		
Total payments made	496,452	551,922
Total payments outstanding	90,645	72,977

It should be noted that the difference with respect to the maximum payment period stipulated in the legislation combating late payment is due almost exclusively to the stringent control exercised by the Group in relation to the corporate and tax requirements to be met in relation to the invoices received, which means that the invoices may not be paid until the issues identified therein have been resolved. Otherwise, the Group complies scrupulously with the regulations contained in the legislation combating late payment.

13.5. Capital management policy

The Group’s capital management policy is geared towards achieving a return on the investment for shareholders which maximises the return on their contributions to the company with the lowest possible risk, ensuring that they become an appealing investment instrument which is always aligned with the economic and business environment. Given its capital structure and high cash-generating capacity, the company holds a privileged position.

13.6. Risk management policy

In order to ensure effective management of the risks facing the Group, a number of risk control and prevention measures were designed which have been implemented and led by senior Group executives through the Group’s Audit Committees, operationally developed in the corporate governance rules and applied across the whole Group.

The risks managed by the Group include most notably three main lines of action, i.e. those related to covering credit risk, those oriented at covering liquidity risks and those focussed on covering market risks.

13.6.1. Management of credit risk

Credit risk is the risk of loss stemming from the failure of the Group's counterparties to meet their contractual obligations, i.e. the possibility of the Group not recovering its financial assets for the amounts recognised and within the established term.

The maximum credit risk exposure at 31 December 2019 and 2018 is as follows:

	2019 Thousands of euros	2018 Thousands of euros
Non-current financial assets (Note 11)	220,792	15,740
Trade and other receivables	247,382	232,939
Trade receivables from related parties (Note 23.1)	601	1,318
Current financial assets (Note 13.2)	1,894	2,638
Cash and cash equivalents (Note 14)	128,993	165,737
	599,662	418,372

In order to manage credit risk, the Group differentiates between financial assets arising from operating activities and those arising from investing activities.

13.6.2. Operating activities

Most of the Group's operating activities are focused on the sale of advertising.

In this regard, there is an internally approved procedure which stipulates the risk policies for each type of customer and the required transaction approval process.

The financial assets considered to be part of the Group's operating activities are primarily trade receivables for sales and services.

From a business point of view, the Group considers advertisers as its end customers, none of which represent a significant weight in the Group's total. The usual practice in the sector is to use media agencies as intermediaries between advertisers and the television operators offering the advertising space.

The Group constantly monitors the age of its debts and there were no situations involving significant risk at year-end.

13.6.3. Investing activities

The financial assets considered to be part of the investing activities include long-term loans (see Note 11), non-current financial assets (see Note 11) and current financial assets (see Note 13.2). The maturities of the risk concentrations associated with these assets are described in these notes.

There is a Financial Risk Management Procedures Manual which lays down the general rules governing the investment of the Group's cash surpluses, which broadly speaking stipulate that:

- The investments must be made with entities (Spanish or foreign) of acknowledged solvency based on their up-to-date ratings.

- The investments must be made in conservative products (bank deposits, debt repos, etc.) in which, in general, repayment of the invested capital is guaranteed.
- The investments can only be authorised by duly empowered senior Group executives and, in any case, such powers are highly restricted (according to the amount involved, to the CEO, Chief Managing and Operating Officer and Chief Financial Officer).
- In general circumstances, terms do not extend further than 3 months and in most cases the funds invested are automatically available.

13.6.4. Management of liquidity risk

The Group's financial structure has a low liquidity risk given the absence of financial leverage and the level of cash from operations generated each year.

Liquidity risk is the risk that the Group may not have, or be able to gain access to, sufficient liquid funds at the right cost to be able to meet its payment obligations at all times. The Group's objective is to maintain the necessary level of available liquid funds to carry on its business activity.

The minimum amounts of liquid funds to be held at all times is established by Group policies.

- Cash surpluses may only be invested in certain types of assets (see the previous section on credit risk-investing activities) to guarantee liquidity.
- The Group has taken out credit lines for amounts that guarantee its ability to meet its operating needs and to fund new investment projects in the short term. At the end of 2019 the credit facilities available amounted to 255 million euros (31 December 2018: 275 million euros) (see Note 13.2). The aforementioned facilities were arranged with highly competitive financial conditions, which in view of the current market situation, backs up the Group's image of financial solvency and soundness. No amount had been drawn down at the end of 2019 and 2018.

13.6.5. Management of market risk (foreign currency, interest rate and price risk)

There are no significant financial risks associated with movements in interest rates. However, for illustrative purposes, a sensitivity analysis has been performed on the impact on the Group's net cash of certain changes in interest rates, excluding long-term financial debt.

The assumptions used are of shifts of +50 bp and -20 bp in the Group's net cash position at year-end, using one-month Euribor at 31 December 2019 as a reference (December 2018: +50 bp and -20 bp).

The sensitivity analysis performed shows that changes in the interest rate applied to net cash (excluding long-term financial debt) would have an impact at 31 December which,

in any event, would not be significant and would affect only the amount of financial results and then only marginally.

	Benchmark rate EUR 1 M (%)	Net cash position	Annual interest	50 bp	Annual interest	-20 bp	Annual interest
31/12/19	-0.438	123,531	(541)	0.062%	77	-0.638%	(788)

	Benchmark rate EUR 1 M (%)	Net cash position	Annual interest	50 bp	Annual interest	-20 bp	Annual interest
31/12/18	-0.363	167,823	(609)	0.137%	230	-0.563%	(945)

With the objective of covering the value variation risk that may be caused by the fluctuations of ProSieben's stocks, the Group entered into a collar agreement including simultaneous "put" and "call" options and the allowance to limit the oscillations in the stock value within a band that goes from 90% to 120% of the original acquisition value.

The economic effect of this hedge consists in setting, on the one hand, a maximum level (120%, equivalent to a maximum profit of 34,357 thousand euros) calculated on the basis of the exercise price of the "call" option sold and, on the other, a minimum level (90%, which corresponds to a maximum loss of 17,179 thousand euros) computed in relation to the exercise price of the "put" option acquired.

At December 31, 2019 the share reference price was 13.91 euros without, therefore, the "put" or "call" options being "in the money".

Assuming, however, a price equivalent to 11.39 euros /share, that is to say 85% of the original price of the collar agreement, the "put" option, with "strike" of 12.06 euros, would become "in the money", evidencing an intrinsic value of 8,589 thousand euros and a 100% efficiency.

This intrinsic value variation would have an impact on the Net Equity without impacting the Statement of Profit or Loss.

If, on the other hand, a price of 16.76 euros per share (i.e. a change of 125% with respect to the acquisition price) is assumed, the call options, with a strike of 16.09 euros per share, would become "in the money" with a negative intrinsic value of -8,589 thousand euros and a 100% efficiency.

This change would also be recognised Net Equity without impacting the Statement of Profit or Loss.

13.6.6. Sensitivity analysis and estimate of impacts on profit or loss

The financial instruments exposed to EUR/USD exchange rate risk, represented mainly by the currency derivatives taken out on acquisitions and sales of rights, were the subject of a sensitivity analysis at the reporting date.

By applying a symmetrical percentage variation to the year-end exchange rate, equal to the implied volatility at one year of the currency in question published by Reuters, i.e. 5.77% for 2019 and 7.69% for 2018.

The sensitivity analysis performed shows that the changes to the year-end exchange rates would have had a direct effect on profit or loss which, in any event, would not have been significant.

Analysis of asset derivatives in foreign currency:

31/12/19			31/12/18		
<u>USD K</u>	<u>XRT</u>	<u>Differences</u>	<u>USD K</u>	<u>XRT</u>	<u>Differences</u>
7,285	1,1234	265	9,693	1,1450	508
<u>Sensitivity analysis</u>					
7,285	1,0586	661	9,693	1,057	1,208
7,285	1,1882	(88)	9,693	1,2330	(94)

Analysis of liability derivatives in foreign currency:

31/12/19			31/12/18		
<u>USD K</u>	<u>XRT</u>	<u>Differences</u>	<u>USD K</u>	<u>XRT</u>	<u>Differences</u>
1,292	1,1234	(152)	1,328	1,1450	(93)
<u>Sensitivity analysis</u>					
1,292	1,0586	(223)	1,328	1,057	(188)
1,292	1,1882	(90)	1,328	1,2330	(11)

Analysis of the total payable to suppliers in foreign currency:

31/12/19			31/12/18		
<u>USD K</u>	<u>XRT</u>	<u>Differences</u>	<u>USD K</u>	<u>XRT</u>	<u>Differences</u>
7,713	1,1234	(109)	10,179	1,1450	(386)
<u>Sensitivity analysis</u>					
7,713	1,0586	(529)	10,179	1,057	(1,126)
7,713	1,1882	266	10,179	1,2330	248

Analysis of total trade receivables in foreign currency:

31/12/19			31/12/18		
<u>USD K</u>	<u>XRT</u>	<u>Differences</u>	<u>USD K</u>	<u>XRT</u>	<u>Differences</u>
1,292	1,1234	89	1,331	1,1450	68
<u>Sensitivity analysis</u>					
1,292	1,0586	159	1,331	1,057	165
1,292	1,1882	26	1,331	1,2330	(15)

14. Cash and cash equivalents

The detail of "Cash and Cash Equivalents" is as follows:

	31/12/2019	31/12/2018
Cash on hand and at banks	128,993	165,737
Total	128,993	165,737

These balances are unrestricted and are deposited with prestigious international financial institutions.

15. Equity

15.1. Share capital

The share capital is set at 163,718 thousand euros, represented by 327,435,216 shares of 0.5 euros par value each (the same figures as in December 2018).

The share capital has been fully subscribed and paid up, and it is distributed as follows:

Owner	<u>2019</u> % of ownership	<u>2018</u> % of ownership
Mediaset, S.p.A.	53.26	51.63
Market	42.38	48.37
Treasury shares	4.36	-
Total	100.00	100.00

All the shares comprising the share capital carry the same rights.

Share transfers are governed by General Audio-visual Communications Law 7/2010, of 31 March.

15.2. Share premium

The Parent Company's share premium amounted to 313,234 thousand euros at 31 December 2019 (313,234 thousand euros at 31 December 2018).

15.3. Other reserves

Under the Spanish Limited Liability Companies Law, 10% of net profit must be transferred to the legal reserve until the balance of this reserve reaches 20% of the share capital.

The legal reserve can be used to increase capital provided that the remaining reserve balance does not fall below 10% of the increased share capital amount. Otherwise, until the legal reserve exceeds 20% of share capital, it can only be used to offset losses, provided that sufficient other reserves are not available for this purpose.

The Parent Company's legal reserve, which has reached the stipulated level and is presented under "Other Reserves" in the accompanying Consolidated Statement of Financial Position, amounted to 32,744 thousand euros at 31 December 2019 (32,744 thousand euros at 31 December 2018).

In addition, the Parent Company has a restricted goodwill reserve amounting to 57,596 thousand euros.

The remainder of "Other Reserves" relates to unrestricted reserves.

15.4. Dividends

The Annual General Meeting of 10 April 2019 resolved to distribute the Parent Company's profit for 2018 as follows:

Basis of distribution	
Profit for the year	175,089
Total	<u>175,089</u>
Distribution	
Ordinary dividend	100,163
To reserves	74,926
Total	<u>175,089</u>

The ordinary dividend received amounted to 0.30590132 euros per share, net of the amount corresponding to treasury shares.

The dividend was paid to the shareholders of Mediaset España Comunicación, S.A. on 30 April 2019 for a definitive total of 99,958 thousand euros.

15.5. Treasury shares

The changes in "Treasury Shares" were as follows:

	Number of shares	Amount (*)	Number of shares	Amount (*)
At beginning of year	1	-	9,282,275	100,500
Increases	14,419,910	95,533	36,500	343
Decreases	(150,838)	(979)	(9,318,774)	(100,843)
At year end	14,269,073	94,554	1	-

(*) Thousands of euros

The increase in the number of treasury shares during 2019 is mainly due to purchases made under the Share Buyback Plan approved by the Board of Directors on 23 January 2019. The last acquisition of treasury shares under this Plan took place on 5 June 2019.

The decrease in the number of treasury shares in 2018 was mainly a result of the capital reduction approved by the Annual General Meeting held on 18 April 2018.

15.6. Non-controlling interests

The detail, by company, of “Non-Controlling Interests” in the Consolidated Statement of Financial Position as at 31 December 2019 and 2018 is as follows:

	2019		2018			
	Non-controlling interests	Sep. profit/loss attrib. to non-controlling interests	Group profit/loss attrib.	Non-controlling interests	Sep. profit/loss attrib. to non-controlling interests	Group profit/loss attrib.
Megamedia Televisión, S.L. (1)	1,027	614 -	-	-	-	-
Supersport Televisión, S.L. (2)	1,135	563 -	-	-	-	-
El Desmarqué Portal Deportivo, S.L. (3)	1,304	872 -	-	-	-	-
Total	3,466	2,049 -	-	-	-	-

(1) 65% owned by Producción y Distribución de Contenidos Audiovisuales Mediterráneo, S.L.U.

(2) 62.5% owned by Producción y Distribución de Contenidos Audiovisuales Mediterráneo, S.L.U.

(3) 60% owned by Producción y Distribución de Contenidos Audiovisuales Mediterráneo, S.L.U

16. Long-term provisions and contingencies

Long-term provisions:

“Long-Term Provisions” includes mainly the amounts recognised to cover, among others, those contingent risks arising from litigation in progress or any unresolved tax assessments.

The changes in the years ended 31 December 2019 and 2018 were as follows:

	Balance at 31.12.18	Charge for the year	Amount used	Amount reversed	Transfer	Balance at 31.12.19
2019						
Provisions for contingencies and charges	8,945	8,622	(3,069)	(2,633)	(739)	11,126
2018						
Provisions for contingencies and charges	13,429	6,838	(315)	(1,288)	(9,719)	8,945

At 31 December 2019 and 2018, the long-term provisions related to various unresolved lawsuits and disputes involving the Group and third parties, and to long-term employee

benefit obligations. The period provisions relate to litigations in which the Group is involved and for which a probable outflow of resources is probable.

Also, the Group recognised provisions for the accrued portion of long-term employee benefit obligations corresponding to the medium-term incentive and loyalty plans tied to the Company's share price (see Note 20). The reversals and amounts used relate to the rulings on the aforementioned litigation.

For all litigation, the directors and their advisers assess the risk, and where the risk is "probable" and the economic effects can be quantified, adequate provisions to cater for them are recognised. No provision is recorded when the risks are considered only as possible and are described below.

Contingencies/Lawsuits

PROCEDURES REGARDING THE LATE SUBMISSION OF THE ACTION PLAN IN THE TELECINCO/CUATRO ACQUISITION

In 2011, the National Competition Commission (currently the National Commission for Markets and Competition (CNMC) handed down a resolution on dossier SNC/0012/11) sanctioning Mediaset España with a fine of 3,600 thousand euros.

This resolution was appealed before the National Court of Justice as part of ordinary lawsuit 474/2011. On January 8, 2013, the Court issued a judgement rejecting the appeal and upholding the fine.

The said judgement was appealed (Recurso de casación) before the Supreme Court. On September 21, 2015 the Supreme Court issued a judgement which annulled the contested judgement and ordered the proceedings to be returned to the CNMC so that it could issue a new decision proportionate to the alleged and justified infringement.

On 12 May 2016, the CNMC issued a new resolution reducing the penalty initially imposed to 1,676 thousand euros. That decision was the subject of a new appeal to the National Court of Justice, since it was considered that this sanction, in addition to not being duly motivated, had been adopted without giving Mediaset a hearing, remained disproportionate to the infringement committed and not respecting the legal deadlines, leading to its expiry.

This appeal was dismissed by the National Court in its ruling of 23 April 2018 on the basis of the same arguments it had already used in its ruling of 8 January 2013 (Ordinary Procedure 474/2011), cited above.

That judgement was the subject of Appeal No. 5246/18, which, after being admitted to proceedings on 19 November 2018, was dismissed by the Supreme Court in its judgement dated 30 September 2019.

On 14 November 2019, Mediaset España filed an appeal for protection (Recurso de Amparo) against the decision of 12 May 2016, as well as against the aforementioned decisions of the National Court on 23 April 2018 and the Supreme Court on 30 September 2019, for having seriously infringed Mediaset España's procedural guarantees. This appeal

is currently pending.

Nevertheless, the Company has decided to make a provision to fully cover the potential materialisation of the risk.

PROCEEDINGS RELATED TO MEDIASET ESPAÑA COMUNICACIÓN, S.A.'S SUPPOSED FAILURE TO COMPLY WITH THE TELECINCO-CUATRO ACQUISITION COMMITMENTS

On February 6, 2013, the National Competition Commission currently the National Commission for Markets and Competition (CNMC) handed down a resolution on Dossier SNC/0024/12 Mediaset (the "resolution"), in which it declares that Mediaset España failed to comply with certain commitments and obligations established in the C-0230/09 Telecinco/Cuatro acquisition dossier; a fine of 15,600,000 euros was given.

In particular, the resolution states that Mediaset España failed to comply with four of the twelve commitments upon which the Telecinco/Cuatro acquisition was authorised (commitments (ii), (iii), (vi) and (xii)), as well as different requirements for providing information to the CNMC regarding these commitments.

In the CNMC's view, the commitments established certain restrictions for Mediaset España in order to neutralize or compensate for potential anti-trust issues arising from the transaction.

The commitments were subsequently unilaterally developed by the CNMC with an Action Plan that was unilaterally imposed on the Company, made an exorbitant interpretation of the commitments, to the point of substantially modifying their original content, both in terms of advertising and content acquisition. Thus, for example, the "interpretation" considered that the duration of contracts for acquiring content should be calculated commencing on their signing date, rather than when the rights commenced in each case.

Mediaset España however, did not fail to comply with any of its commitments with the CNMC.

Therefore, Mediaset España appealed in due time and form to the National Court, which subsequently suspended of the fine, and the process is still continuing in this court, it has not yet issued a resolution on the matter.

Meanwhile, in its judgements dated December 15, 2014 and November 2, 2015 in the appeals 2038/2012 and 2354/2013 respectively, the Supreme Court partially upheld the two contentious-administrative appeals filed against the Action Plan, thereby annulling in both cases the portion leading to the alleged infringement and corresponding sanction. Therefore, regardless of the outcome of the appeal against the sanction, both judgements annul it; in any case, it should be recalculated.

The Consolidated Statement of Financial Position does not include a provision for this contingency, as the directors and legal advisors do not consider it likely that this liability will materialise.

PROCEEDINGS RELATED TO MEDIASET ESPAÑA COMUNICACIÓN, S.A.'S FAILURE TO COMPLY WITH THE TELECINCO-CUATRO ACQUISITION COMMITMENTS

On September 17, 2015, the Council of the National Commission for Competition (the current National Commission for Markets and Competition (CNMC) handed down a resolution on Dossier SNC/0036/15 Mediaset (the "resolution"), in which it found that Mediaset España had failed to comply with one of the commitments of the Telecinco/Cuatro acquisition, and therefore set a fine of 3,000 thousand euros.

Specifically, based on the Resolution, Mediaset España supposedly did not comply with the terms of the commitment (ii) in 2013, as it allegedly linked the sale of Telecinco and Cuatro advertising space in a formal or de facto manner.

However, Mediaset España did not fail to comply with the above commitment, as there is not proof beyond a reasonable doubt that the conduct in question is tantamount to an infraction; Mediaset's sales figures for the period demonstrated that none of the alleged infractions took place. Reports prepared by external advisors conclude that Publiespaña did not fail to meet its commitments nor has it violated anti-trust laws.

Therefore, Mediaset España appealed the resolution in time and substance before the National Court, and the process is ongoing in this court, it has not yet issued a resolution on the matter.

As in the previous case, the Consolidated Statement of Financial Position does not include a provision for this contingency, as the directors and legal advisors do not consider it likely that this risk will materialise.

MADRID COURT OF FIRST INSTANCE Nº 6: PROCEEDING Nº 1181/10

The Company filed a lawsuit of ordinary proceedings on November 19, 2010 against the content supplier ITV requesting that the contract by which it obtained the license to use the Pasapalabra format be declared null and void, as well as two other contracts related to it: one for the provision of library programs and the other for the development of television formats.

ITV contested that the claim be dismissed and also filed a counterclaim requesting that the Company be ordered to pay them the contract transaction included in the said three contracts as well as an indemnity for damages and losses.

On February 3, 2014, the Court handed down a sentence dismissing the claim while partially upholding the counterclaim, declaring that the Company had not complied with the three agreements reached with ITV, and that it infringed certain rights of that company, ordering the Company to pay the amounts claimed in the counterclaim, which were subsequently paid (around 15 million euros, of which 5.4 million corresponded to the Pasapalabra format contract).

Subsequently, on September 20, 2016, the Audiencia Provincial de Madrid (Madrid

Appellate Court) partially upheld the Recurso de Apelación (appeal in second instance) filed by the Company, nearly halving the amount of the indemnity that it had originally been ordered to pay in the first instance; the resolution considered that the two contracts signed in conjunction with the contract related to the Pasapalabra format had not been breached. The amount payable by the Company to continue using the program's format subsequent to termination of the contract was not yet decided.

This Judgement was appealed by both parties to the Supreme Court which only allowed the appeal lodged by Mediaset, dismissing that lodged by ITV's representative.

Subsequently, the Supreme Court issued a Judgement on September 30th, 2019 and rejected the appeal filed by Mediaset, and the Judgement given by the Audiencia Provincial de Madrid (Madrid Appellate Court) on September 20th, 2016, referred to above, became final.

The Supreme Court considers that the criterion to be followed for the purposes of calculating the compensation to be paid by Mediaset to ITV for the post-contractual use of the Pasapalabra format is that of the benefit obtained by Mediaset from the use of that format and not that of the hypothetical royalty that ITV should have received for the grant of a user's license.

Such compensation must be established at the enforcement of the judgement stage, by means of a specific legal procedure, the commencement of which is not yet known. In view of the amounts already accounted during the legal proceedings, the Company considers that the compensation which it will ultimately have to pay to ITV has been covered in its Consolidated Statement of Financial Position.

DISCIPLINARY PROCEEDING INITIATED BY THE CNMC AGAINST MEDIASET-ATRESMEDIA FOR POSSIBLE INFRINGEMENT OF ART. 1 OF THE ANTI-TRUST LAW AND ART. 101 OF THE TREATY ON THE FUNCTIONING OF THE EUROPEAN UNION.

On February 21, 2018, Mediaset España was notified by the Comisión Nacional de los Mercados y la Competencia (CNMC) of the initiation of disciplinary proceedings (S/DC/617/17) for the alleged infringement of Article 1 of the Anti-Trust Law and article 101 of the Treaty on the Functioning of the European Union (TFEU), considering that certain contracting conditions on television advertising established by Mediaset España and Atresmedia could unjustifiably restrict the functioning of the market.

On January 4, 2019, the CNMC notified Mediaset España of the Statement of Facts (Pliego de Concreción de Hechos) of the said proceedings, which was based on series of premises and certain accusations that lacked any factual and legal basis were made; as it was stated in the arguments submitted by the Company on February 6, 2019.

On February 7, 2019, the Competition Directorate (DC) of the CNMC, in accordance with the provisions of Article 39 of the Regulation on Defense of Competition, agreed to initiate the proceedings leading to the conventional termination of the disciplinary proceedings in question.

On 29 April 2019, the Competition Directorate agreed to reject the commitment proposals submitted by Mediaset España (and Atresmedia), thereby putting an end to the conventional termination procedure. The said agreement was subject of an appeal for reversal, which was rejected by a decision dated 23 May 2019. On 29 May 2019, Mediaset España filed a contentious-administrative appeal against this decision, which is currently being processed.

Without waiting for the resolution of this process, the CNMC proceeded with the disciplinary proceedings, which were concluded by a decision dated 12 November 2019, in which Mediaset España, as well as Atresmedia, were found to have infringed Article 1 of the Anti-trust Law and Article 101 of the TFEU by implementing contract conditions for television advertising that allegedly could unjustifiably restrict the market's performance, thus imposing sanctions on both companies which, in the case of Mediaset España, totalled 38. 979 thousand euros, together with the halting of the allegedly infringing conduct.

However, the aforementioned disciplinary resolution is unfounded and lacks any evidence, since, fundamentally, Mediaset España has never coordinated its commercial advertising policy with Atresmedia, nor do either of the two companies hold a dominant position in the television advertising market that could be abused.

It is considered that the relevant market to be taken into account for the latter purposes cannot continue to be the television advertising market, but rather the much wider audio-visual advertising market, which comprises not only television operators but all audio-visual operators, including, therefore, those operating in the digital field. (internet, OTT's, etc.).

Furthermore, the decision is also defective in other respects, namely: a failure to properly consider the market structure, an erroneous legal basis, a total absence of proof regarding the alleged effects and an error in the classification of the conduct, as well as numerous basic defects in the investigation carried out by the Competition Authority's investigative body.

On 13 January 2020, within the period established by law, Mediaset España filed a contentious-administrative appeal against the aforementioned decision and requested its immediate suspension, both in relation to the order to halt the conduct sanctioned and to the payment of the fine imposed; all of which is currently being processed, without any decisions having yet been taken either on the precautionary measures or on the merits of the case.

The serious defects noted, together with the solid factual, legal and economic grounds provided, which are supported by reports from independent experts, should make it possible to adopt the precautionary measure requested and, in any case, make it possible to trust that the decision will be annulled in court. Therefore, the Consolidated Statement of Financial Position does not include any provision in relation to this contingency, since the directors and their advisers consider that the risk of this liability finally materialising is unlikely.

PROCEDURE BROUGHT BEFORE THE COMMERCIAL COURT NO. 1 OF ALICANTE (EUROPEAN UNION TRADEMARK COURT NO. 1 OF SPAIN) NUMBER 000401/2014-CR.

In its decision (the "Decision") dated 4 March 2019, the EU Trademark Court No. 1 of Spain, substantially upheld the accumulated claims filed by ITV Global Entertainment Limited ("ITV")

against Mediaset España Comunicación, S.A. ("Mediaset") in 2014 and 2016, and dismisses the counterclaim filed by Mediaset against ITV in respect of the latter claim.

In its claims, ITV sought recognition as owner of the European Union trademark Pasapalabra (the "EUTM"), and that Mediaset España should stop using it, together with compensation for its improper use.

Meanwhile, Mediaset España requested that ITV's claims were rejected and that its counterclaim was upheld. The counterclaim sought the annulment of the registration of the EUTM in the name of ITV and, the recognition of Mediaset España's ownership of said EUTM given its contribution towards creating a good reputation of the trademark over the last fourteen years.

The Court decided that ITV was the owner of the EUTM, despite recognizing in the Judgement itself that it derives directly from the previous trademark Passaparola, which was created by RTI (Mediaset Italia)/Einstein Multimedia, without any intervention from ITV, and therefore, this circumstance implies that the registration of the EUTM by ITV was only the result of an act of bad faith.

Following the recognition of ITV as the EUTM holder, the ruling ordered Mediaset España to pay 8,702,290 euros in compensation for the improper use of the EUTM since 2009.

The said ruling was the subject of an appeal within the established period, which was resolved by the Alicante Provincial Court in a ruling on 16 January 2020. Although this ruling rejects Mediaset's claim regarding the ownership of the Pasapalabra trademark, it considers that, given that the title of the format and the trademark fall under the same name (Pasapalabra), ITV cannot duplicate its compensation by adding the compensation from the procedure in the Commercial Court No. 6 of Madrid (Procedure 1181/10), mentioned above, to that resulting from the procedure in the Alicante Trademark Court. For this reason, two important points of the appeal are annulled in the judgement:

- It completely annuls the order for compensation for the entire period from August 3, 2009 (date ITV applied for the trademark) to February 1, 2016 (date when registration of the trademark was granted), on the ground that the "reasonable compensation" to which ITV would be entitled has already been satisfied by the compensation established for that same period in the proceedings before the Madrid Court.
- And, in relation to the compensation that would correspond to the period between February 2, 2016 and the cessation of broadcasting the Pasapalabra program, it ordered that the resulting amount be reduced by the amount which, for the commercialisation of the format during said period, must be paid as compensation in the enforcement procedure in the Madrid Court.

Mediaset España will appeal this judgement in the Supreme Court on the grounds that compensation can only be paid if there is damage, which in this case does not exist, as it would have been covered by the compensation resulting from the 1181/10 procedure in the aforementioned Court of First Instance in Madrid. Furthermore, if the licensing policy followed by ITV is adhered to, it only charges a single amount per format, title and trademark, therefore

the trademark payment would already be included, again, in the above-mentioned compensation.

Therefore, the Consolidated Statement of Financial Position does not include any provision in relation to this contingency, as the directors and their advisors consider that it is unlikely that this liability will eventually materialise.

ORDINARY PROCEDURE Nº1881/2019, IN THE COMMERCIAL COURT Nº13 OF MADRID, ON THE APPLICATION OF SGAE.

On October 14, 2019, the General Society of Authors and Publishers (SGAE) filed an ordinary lawsuit against Mediaset España, which was notified on February 10, 2020, resulting in Ordinary Proceedings No. 1881 in the Commercial Court No. 13 of Madrid.

In this claim, SGAE seeks an order for Mediaset España to "comply with the contract signed between the parties on January 23, 2018" and to pay the amount of 21,781,205.8 euros (including VAT), which is the total amount of the three invoices issued by SGAE corresponding to the fourth quarter of 2018 and the first and second quarters of 2019, for 8,091,577 euros, 6,496,182 euros and 7,193,445 euros, respectively (all amounts include VAT).

At the date that these Financial Statements were prepared, Mediaset España had already paid the invoice corresponding to the fourth quarter of 2018, although it had deducted 2,221,326.13 euros (inc. VAT), and had ordered the payment of the invoices corresponding to the first and second quarters of 2019, deducting the amount of 2,648,856.85 euros (inc. VAT) from the latter. The amounts deducted are provisionally established in the absence of any adjustment arising from the exact data on takings and distributions, which are only available to the SGAE.

Therefore, the amount of 21,781,205.8 euros (inc. VAT) claimed by SGAE in its application must be reduced by 4,870,182.98 euros (inc. VAT). In relation to this amount, which is fully provisioned, Mediaset considers that it has been unjustly withheld by SGAE based on a previous modification of its internal distribution criteria, introduced after Law 2/2019 came into force on March 1, which modified the revised text of the Law on Intellectual Property, more specifically the second paragraph of Article 159.1.

This modification of the distribution criteria was not only introduced retroactively: Law 2/2019 came into force on March 3, 2019, but the SGAE applied it retroactively, applying it to the settlement and distribution for the second half of 2018. Furthermore, it represents a substantial alteration of the economic equilibrium inherent in the contract signed with SGAE on 23 January 2018, insofar as the tariff negotiated and accepted by Mediaset in that contract was based on maintaining the revenue expectations that it had reasonably and legitimately expected to receive as a publisher under the distribution criteria in force on that date.

The Company trusts that the aforementioned file will end being upheld based on the solid factual, legal and economic foundation provided.

17. Short-term provisions

The details included in this concept for 2019 and 2018 are as follows:

	Balance at 31.12.18	Charge for the year	Amount used	Amount reversed	Transfer	Balance at 31.12.19
Provisions, rebates, responsibilities and others	40,149	36,139	(38,685)	-	10,969	48,572
	40,149	36,139	(38,685)	-	10,969	48,572

	Balance at 31.12.17	Charge for the year	Amount used	Amount reversed	Transfer	Balance at 31.12.18
Provisions, rebates, responsibilities and others	39,095	38,669	(46,543)	(101)	9,029	40,149
	39,095	38,669	(46,543)	(101)	9,029	40,149

Provisions for third party liability (see Note 16).

18. Tax matters

18.1. Consolidated tax group

Pursuant to current legislation, the Consolidated Tax Group includes Mediaset España Comunicación, S.A., as the Parent Company, and the Spanish subsidiaries that meet the requirements provided for in Spanish legislation regulating the taxation of the consolidated profits of the Group of Companies (see Note 4.20).

The Group's other subsidiaries file individual tax returns in accordance with the tax legislation in force.

18.2. Years open for review by the tax authorities

Under current tax regulations, tax returns may not be considered final until they have either been inspected by tax authorities or until the four-year inspection period has expired.

On January 13, 2016, notification was received from the Department of Tax and Customs Control of the Central Delegation of Major Taxpayers that tax inspection proceedings had been initiated for the following items and years open to inspection:

Item(s)	Periods
Income tax	2011 to 2014
Value added tax	2012 to 2014
Withholdings/Payments on account/Professionals	2012 to 2014
Withholding non-resident income tax	2012 to 2014

On 20 September 2016 and 5 October 2016, tax assessments were signed on an uncontested basis amounting to EUR 1,116 thousand, thus concluding the aforementioned audits.

Since these tax audits have been concluded, the Group has the following taxes and years open for review:

	Period
Income tax	2015 to 2018
VAT	2015 to 2019
Non-resident income tax withholdings	2015 to 2019
Gaming duty	2015 to 2019
Annual statement of transactions	2014 to 2017
Personal income withholdings and pre-payments	2015 to 2019
Recapitulative statement of intra-Community supplies and acquisitions of goods	2015 to 2019

The directors consider that in the event of such reviews, the possible contingencies would not significantly affect the Group's results.

18.3. Tax receivables and payables

The detail of the tax receivables and payables at 31 December 2019 and 2018 is as follows:

	Balance at 31/12/19	Balance at 31/12/18
Deferred tax assets (Note 18.5)	69,954	79,589
Current tax assets (Note 18.4)	15,641	10,395
VAT	1,876	57
Other tax receivables	-	140
Tax receivables	1,876	197
	Balance at 31/12/19	Balance at 31/12/18
Deferred tax liabilities (Note 18.5)	38,447	28,211
VAT	10,933	11,892
Income tax (labour expenses)	3,697	3,244
Accrued social security taxes payable	2,018	1,552
Other payables to public authorities	5,675	5,881
Tax payables	22,323	22,569

18.4. Income tax expense

The detail of the calculation of the income tax expense is as follows:

	<u>2019</u>	<u>2018</u>
Consolidated statement of profit or loss		
Current Income tax		
Income tax expense	36,976	34,425
Deferred income tax		
Relating to increases and decreases in temporary differences	19,871	30,855
	<u>56,847</u>	<u>65,280</u>
	<u>2019</u>	<u>2018</u>
Consolidated statement of comprehensive income		
Deferred tax relating to items charged or credited directly to other comprehensive income in the year		
-Net unrealised gains/(losses) on non-current assets held for sale	(284)	407
-Tax rate adjustment	-	-
Deferred tax directly charged to other comprehensive income	<u>(284)</u>	<u>407</u>

	<u>2019</u>	<u>2018</u>
Accounting profit before tax	270.609	265,606
Tax rate (25%)	67.652	66,402
Permanent differences	2.524	2,719
Temporary differences	(3.479)	(9,387)
Tax credits and adjustments to prior years' income tax	(9.850)	5,546
	<u>56.847</u>	<u>65,280</u>

The reconciliation between the amount of net income and expenses for the year and the tax base (taxable profit) for corporate income tax is as follows:

	<u>2019</u>		<u>2018</u>	
	Statement of profit or loss	Equity	Statement of profit or loss	Equity
Consolidated accounting profit before tax	270,609	-	265,606	-
Changes in the scope of consolidation (1)	(19,459)	-	-	-
Permanent differences	10,096	-	10,875	-
Temporary differences	(13,916)	-	(37,548)	-
Taxable profit	<u>247,330</u>	<u>-</u>	<u>238,933</u>	<u>-</u>

(1) Eliminations made in the consolidation process applicable in the tax base (taxable profit) calculation.

The calculation of the income tax payable is as follows:

	<u>2019</u>
Taxable profit	247,330
Gross tax payable (25%)	61,833
Offset of tax losses	(15,458)
Tax credits and tax relief	(11,921)
Tax withholdings	<u>(39,718)</u>
Income tax refundable	(5,265)
	<u>2018</u>
Taxable profit	238,933
Gross tax payable (25%)	59,733
Offset of tax losses	(14,934)
Tax credits and tax relief	(11,446)
Tax withholdings	<u>(43,687)</u>
Income tax refundable	(10,334)

The detail of the income tax refundable is as follows:

	<u>2019</u>	<u>2018</u>
2017 income tax refundable	-	61
2018 income tax refundable	10,376	10,334
2019 income tax refundable	5,265	-
Total (Note 18.3)	<u>15,641</u>	<u>10,395</u>

18.5. Deferred taxes

Spanish Income Tax Law 27/2014, of 27 November, amended the standard tax rate to 28% for 2015 and to 25% for subsequent years. As a result, the Company adjusted the aforementioned deferred tax assets and liabilities on the basis of the tax rate in force at the estimated date of reversal.

	<u>2019</u>	Statement of profit or loss		Equity	Balance at 31/12/19
		Increases	Decreases		
Deferred tax assets arising from:					
Provision for litigation	693	-	(358)	-	335
Limit on the deductibility of depreciation and amortisation	1,214	-	(220)	-	994
Other	12,495	7,093	(894)	284	18,978
Tax credit carryforwards	42,033	-	(544)	-	41,489
Tax loss carryforwards	23,154	-	(14,996)	-	8,158
Total deferred tax assets	<u>79,589</u>	<u>7,093</u>	<u>(17,012)</u>	<u>284</u>	<u>69,954</u>

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<u>2018</u>	Balance at 31/12/17	Statement of profit or loss		Equity	Balance at 31/12/18
		Increases	Decreases		
Deferred tax assets arising from:					
Provision for litigation	2,257	693	(2,257)	-	693
Limit on the deductibility of depreciation and amortisation	1,674	-	(460)	-	1,214
Other	8,898	4,950	(1,997)	644	12,495
Tax credit carryforwards	50,495	3,020	(11,482)	-	42,033
Tax loss carryforwards	37,651	643	(15,140)	-	23,154
Total deferred tax assets	100,975	9,306	(31,336)	644	79,589

<u>2019</u>	Balance at 31/12/18	Statement of profit or loss		Equity	Balance at 31/12/19
		Increases	Decreases		
Deferred tax liabilities arising from:					
Intangible assets	27,974	9,324	-	-	37,298
Other	237	-	-	912	1,149
Total deferred tax liabilities	28,211	9,324	-	912	38,447

<u>2018</u>	Balance at 31/12/17	Statement of profit or loss		Equity	Balance at 31/12/18
		Increases	Decreases		
Deferred tax liabilities arising from:					
Intangible assets available for sale	-	-	-	-	-
Other	91	-	(91)	237	237
Total deferred tax liabilities	18,742	9,325	(93)	237	28,211

The deferred tax liabilities arising from intangible assets relate to the deductibility of goodwill and the licence acquired.

The tax credit carry-forwards relate mainly to tax credits for investments in film productions. These tax credits can be deducted in the 15-year period following the year in which they were earned.

	<u>2019</u>	<u>2018</u>
	(Thousands of euros)	
2014 tax credit carryforwards	-	7,352
2015 tax credit carryforwards	4,425	8,614
2016 tax credit carryforwards	7,140	7,140
2017 tax credit carryforwards	11,680	11,680
2018 tax credit carryforwards	7,247	7,247
2019 tax credit carryforwards	11,028	-
	41,520	42,033

The Group estimates the taxable profits that are expected to be obtained in the coming years. It has also analysed the reversal period for taxable temporary differences. Based on this analysis, the Company has recorded deferred tax assets relating to tax credits and deductible temporary differences for which it considers it probable that they will be recovered in the future.

The detail of the tax loss carry-forwards recognised by the Group in 2019 and 2018 is as follows:

	2019	2018
	(Thousands of euros)	
2013	28,995	90,049
	28,995	90,049

The Group has unrecorded tax losses amounting to 6,857 thousand euros at 31 December 2019 and 7,508 thousand euros at 31 December 2018, generated by two Group companies prior to their inclusion in the consolidated tax group.

19. Guarantee commitments to third parties

Taking into account the nature of the various guarantees, the detail at 31 December 2019 and 2018 is as follows:

Type	31/12/2019	31/12/2018
	(Thousands of euros) (Thousands of euros)	
Guarantees provided		
Guarantees provided for contracts/concessions/tenders	68,353	55,225
Guarantees provided as security to the Spanish tax authorities	-	9,029
Payments into court	38,541	38,542
	106,894	102,796
Guarantees received	14,087	9,510

Type	31/12/2019	31/12/2018
	(Thousands of Dollars) (Thousands of Dollars)	
Guarantees provided		
Guarantees provided for contracts/concessions/tenders	-	2,062

19.1. Guarantees provided

- At 31 December 2019, the Group had provided guarantees required for its business activities amounting to 68,353 thousand euros (55,225 thousand euros in 2018).
- The Group has provided a guarantee of 15,600 thousand euros to Section Six of the Administrative Chamber of the Spanish National Court of Justice in connection with the appeal filed against the decision of the Spanish National Competition Commission of 6 February 2013 in case SNC/0024/12, whereby Mediaset España Comunicación, S.A. was declared to be in breach of various commitments for which the Telecinco/Cuatro transaction was authorised and a penalty was consequently imposed on it for the amount of the guarantee (see Note 16).
- The Group has provided two guarantees, amounting to 14,909 thousand euros and 2,091 thousand euros, respectively, before the Madrid Commercial Court no. 6 in compliance with the Order dated December 22, 2014 (see Note 16).
- Other legal guarantees provided amount to 5,941 thousand euros.

The Group does not consider that any of the above-mentioned guarantees have accrued liabilities.

20. LONG-TERM REMUNERATION

At 31 December 2019, there were no share option plans yet to be exercised.

No share option plans have been approved in 2019 and 2018 and, therefore, no amounts have been charged to the income statement in 2019 and 2018 as a result of these plans.

A medium-term incentive and loyalty-building scheme linked to the market price of the Company was approved in 2016 (PIF); this scheme is applicable from that year and is aimed at the Group's executive directors and senior executives. The main aims of this plan are to reward the sustainability of results, align the interests of the senior executives with those of the shareholders and improve the composition of remuneration.

The scheme is financed on an annual basis, in equal portions, by a monetary contribution from each beneficiary and another from the Group, which are both invested in the purchase of shares of Mediaset España Comunicación S.A., which are allocated to the beneficiary.

Three long-term incentive and loyalty plans were recognised at 31 December 2019 and 2018, which were approved in 2016, 2017 and 2018 for the 2016 to 2018, 2017 to 2019 and 2018 to 2020 periods, respectively. These Plans provide for the allocation of free rights for the assignment of Company shares to senior executives and executive directors of the Group, subject to the achievement of business objectives in this period and the maintenance of the working relationship at the end of the maturation period. The rights have been attributed on condition that the beneficiaries allocate part of their ordinary

annual variable remuneration to the Plan in question, this amount being complemented by the employer free of charge.

All the Plans were at the maturity phase. Since none of the plans could be exercised at that date, they were categorised as "Plans to be Exercised through Shares", i.e. they involve the delivery of treasury shares acquired by the company on the market.

In the course of the 2019 financial year, the 2016 PIF has been exercised, covering 2016 to 2018, which has been exercised in full

At 31 December 2019, the portion corresponding to the first PIF that will be paid in 2019 and which amounts to EUR 739 thousand was classified as short-term, specifically under "Remuneration pending payment".

	PIF (2017)	PIF (2018)	PIF (2019)
Approval date (Shareholders Meeting)	27/04/2017	18/04/2018	10/04/2019
Maturity period	01/01/17 - 31/12/19	01/01/18 - 31/12/20	01/01/19 - 31/12/21
Share delivery period	60 following days Shareholders Meeting 2020	60 following days Shareholders Meeting 2021	60 following days Shareholders Meeting 2022

The detail of the changes in the long-term incentive and loyalty plans in force is as follows:

	PIF 2017	PIF 2018	PIF 2019	Total
Rights assigned during the year	92,570	-	-	92,570
Rights cancelled during the year	(4,587)	-	-	(4,587)
Rights in force as of December 31, 2019	<u>87,983</u>	-	-	<u>87,983</u>
Rights assigned during the year	-	114,239	-	114,239
Rights cancelled during the year	-	(5,605)	-	(5,605)
Rights in force as of December 31, 2019	-	<u>108,634</u>	-	<u>108,634</u>
Rights assigned during the year	-	-	167,156	167,156
Rights cancelled during the year	-	-	-	-
Rights in force as of December 31, 2019	-	-	<u>167,156</u>	<u>167,156</u>
				<u>363,773</u>

In 2019 1,032 thousand euros were recognised in the statement of profit or loss as a result of this scheme (1,034 thousand euros in December 2018) (see Note 16).

The right to receive these shares is subject in all cases to the employer/employee relationship being maintained at the end of each three-year period.

These incentive and loyalty plans are recognised at their fair value:

2017 plan: € 11.29 per share

2018 plan: € 9.24 per share

2019 plan: € 6.33 per share

This fair value was determined as the average market price of the shares over the 30 calendar days prior to the Board of Directors meeting that approved the consolidated financial statements for the year preceding the year of the allocation.

21. Income and expenses

21.1. The distribution of revenue from the Group's ordinary activities is as follows:

	<u>2019</u>	<u>2018</u>
<u>Line of business</u>		
Advertising revenue	880,135	924,994
Services rendered	53,418	41,226
Other	5,448	8,257
Total	<u>939,001</u>	<u>974,477</u>

The breakdown, by geographical market, of the Group's revenue is as follows:

	<u>2019</u>	<u>2018</u>
Spain	902.367	944.104
European Union	33.580	23.028
Rest of world	3.054	7.345
Total	<u>939.001</u>	<u>974.477</u>

21.2. The detail of "Staff Costs" in 2019 and 2018 is as follows:

	<u>2019</u>	<u>2018</u>
Wages and salaries	101,136	91,240
Social Security costs	19,752	15,908
Other employee benefit costs	655	676
Total	<u>121,543</u>	<u>107,824</u>

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The average number of people employed by the Group, by professional category, was as follows:

	2019			2018		
	Men	Women	Total	Men	Women	Total
Managers	74	41	115	76	40	116
Supervisors	48	48	96	43	42	85
Journalists	144	150	294	55	87	142
Clerical/Line personnel	500	499	999	428	464	892
Other	18	1	19	20	2	22
Site crew	21	15	36	7	3	10
Total personal	805	754	1,559	629	638	1,267

The breakdown of the Group's employees by professional category at 31 December 2019 and 2018 is as follows:

	2019			2018		
	Men	Women	Total	Men	Women	Total
Managers	73	39	112	74	41	115
Supervisors	48	48	96	42	42	84
Journalists	144	141	285	54	88	142
Clerical/Line personnel	504	487	991	421	464	885
Other	16	-	16	20	1	21
Site crew	28	23	51	7	4	11
Total personal	813	738	1,551	618	640	1,258

The breakdown of staff with a disability exceeding 33% at 31 December 2019 and 2018 in the Group by professional category is as follows:

	2019	2018
	Total	Total
Journalists	2	1
Clerical/Line personnel	7	4
Total	9	5

21.3. The detail of the balance included under the " Changes in Operating Provisions " caption at year-end, which relates to the allowance for credit losses, is as follows

	<u>2019</u>	<u>2018</u>
Charge for the year	2,314	2,206
Reversals	(3,494)	(5,021)
Total	<u>(1,180)</u>	<u>(2,815)</u>

21.4. The detail of "Other Expenses" in 2019 and 2018 is as follows:

	<u>2019</u>	<u>2018</u>
Outside services	176,721	173,079
Taxes other than Income tax	24,412	25,635
Other expenses	1,854	3,073
Excessive provisions	(3,506)	(1,944)
Total	<u>199,481</u>	<u>199,843</u>

"Excessive Provisions" includes mainly the reversal of provisions explained in Notes 16 and 17.

21.5. Services provided by the auditors

"Other Operating Expenses" in the accompanying Consolidated Statement of Profit or Loss includes the fees for the financial audit services relating to the Group's Consolidated Financial Statements, provided by Deloitte, which amounted to 305 thousand euros in 2019 (2018: 255 thousand euros).

The fees for other professional services provided by the principal auditor or by any entity related to the principal auditor amounted to 64 thousand euros in 2019 (43 thousand euros in 2018), the detail being as follows, in thousands of euros:

	<u>2019</u>	<u>2018</u>
Other verification services	49	43
Tax services	-	-
Others	15	-
Total	<u>64</u>	<u>43</u>

21.6. The detail of the Group's net finance income/(costs) in 2019 and 2018 is as follows:

	<u>2019</u>	<u>2018</u>
Interest income	480	604
Interest expense	(800)	(2,458)
Total	<u>(320)</u>	<u>(1,854)</u>

Financial income is mainly generated by interest on loans to related companies for interest derived from the investment of excess cash.

Finance costs relate to commitment fees corresponding to the credit.

21.7. Exchange differences

The detail of the exchange differences in 2019 and 2018 is as follows:

	<u>2019</u>	<u>2018</u>
Exchange gains	1,093	2,802
Exchange losses	(970)	(2,527)
Total	<u>123</u>	<u>275</u>

The volume of foreign currency transactions relating to the recognition of audio-visual property rights and distribution rights amounted to 15 million US dollars in 2019 and 19 million US dollars in 2018.

In addition, under the heading of payables for purchases of audio-visual rights, 6,869 thousand euros are expressed in dollars in 2019 and 8,820 thousand euros in 2018.

Also, in "Trade Receivables for Sales and Services" included 270 thousand euros were expressed in dollars in 2019 compared to 370 thousand euros in 2018.

21.8. Operating leases

The amount recognised under "Operating Leases" each year was as follows:

	<u>2019</u>	<u>2018</u>
	Thousands of euros	
Operating lease payments recognised in profit or loss	695	1,421
	<u>695</u>	<u>1,421</u>

The future operating lease commitments assumed by the Group mature in one year and are for a similar amount to those assumed in the current year.

21.9. Income/(Expenses) relating to non-current assets

In relation to the sale of 22% of the share capital of Distribuidora de Televisión Digital, S.A. to Telefónica de Contenidos, S.A. on 4 July 2014, an additional amount of up to 30,000 thousand euros was agreed as a result of the potential increase in the number of subscribers to the platform from the moment in which the control thereof became available to Telefónica for a period of four years as from that date. The amount recognised in 2019 relating to additional amount reached 2,863 thousand euros (4,528 thousand euros in 2018).

This heading also includes the profit arising from the transactions with Megamedia Televisión, S.L. and Supersport Televisión, S.L., amounting to 743 thousand euros.

22. Earnings per share

At 31 December, the calculation of the weighted average number of available and diluted shares is as follows:

	31.12.19	31.12.18
Total shares issued	327,435,216	327,435,216
Less: Weighted treasury shares	(6,970,426)	(426)
Total number of shares outstanding	320,464,790	327,434,790
Dilutive effect of share options	-	-
Total number of shares for the calculation of diluted earnings per share	320,464,790	327,434,790

22.1. Basic earnings per share:

Basic earnings per share are determined by dividing the net profit attributable to the Group for the year by the weighted average number of issued shares during the year, excluding the average number of treasury shares held during the year.

Accordingly:

	<u>31/12/2019</u>	<u>31/12/2018</u>	<u>Change</u>
Net profit for the period (thousands of euros)	211,713	200,326	11,387
Shares outstanding	327,434,790	327,434,790	0
Diluted earnings per share (euros)	0.65	0.61	0.03

22.2. Diluted earnings per share

Diluted earnings per share are calculated by dividing the net profit or loss for the period attributable to ordinary shareholders adjusted for the effect attributable to the dilutive potential ordinary shares by the weighted average number of ordinary shares outstanding in the year, adjusted by the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares of the Company. For these purposes, it is considered that the shares are converted at the beginning of the year or at the date of issue of the potential ordinary shares, if the latter were issued during the current period.

Accordingly:

	<u>31/12/2019</u>	<u>31/12/2018</u>	<u>Change</u>
Net profit for the period (thousands of euros)	211,713	200,326	11,387
Number of shares for the calculation of diluted earnings per share	327,434,790	327,434,790	0
Diluted earnings per share (euros)	0.65	0.61	0.03

23. Related party transactions

23.1. Transactions with associates and shareholders

Transactions between the Parent Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this Note. Transactions between the Group and its associates and other related companies are disclosed below. Transactions between the Parent Company and its subsidiaries and associates are disclosed in the Parent Company's Individual Annual Accounts.

Mediaset España Comunicación, S.A. and Subsidiaries
 Explanatory Notes to the Consolidated Financial Statements
 for the year ended 31 December 2019
 (In thousands of euros)

DISCLAIMER: The English version is a translation of the original in Spanish for information purposes only. In case of a discrepancy, the Spanish original will prevail.

Financing with associates is arranged through credit facilities and commercial loans.

The Group's trade receivables and current liabilities to related parties are as follows:

	31.12.2019		31.12.2018	
	Accounts receivable (Note 13.6.1)	Accounts payable (Note 13.2)	Accounts receivable (Note 13.6.1)	Accounts payable (Note 13.2)
Producciones Mandarina, S.L.	11	2,926	32	1,726
La Fábrica de la Tele, S.L.	2	5,906	-	4,609
Aunia Publicidad Interactiva, S.L.	181	(10)	244	80
Megamedia Televisión, S.L.	-	-	124	3,726
Supersport Televisión, S.L.	-	-	102	997
Alea Media, S.A.	21	28	-	463
Melodía Producciones, S.L.	-	-	-	-
Bulldog Tv Spain, S.L.	-	1,972	32	1,106
Alma Productora Audiovisual, S.L.	1	1,052	2	959
Unicorn Content, S.L.	-	2,881	14	3,229
Pagoeta Media, S.L.U.	2	-	-	-
Grupo Mediaset Italia	383	2,693	786	2,474
Total	601	17,448	1,318	19,369

The detail of the trade receivables from related companies, by maturity, are as follows:

<u>2019</u>	Balance	Maturity		
		3 months	6 months	12 months
Investees	219	219	-	-
Mediaset Italia Group	382	382	-	-
Total (Note 13.6.1)	601	601	-	-

<u>2018</u>	Balance	Maturity		
		3 months	6 months	12 months
Investees	550	550	-	-
Mediaset Italia Group	768	768	-	-
Total (Note 13.6.1)	1,318	1,318	-	-

The detail of the current payables to related companies, by maturity, is as follows:

Mediaset España Comunicación, S.A. and Subsidiaries
 Explanatory Notes to the Consolidated Financial Statements
 for the year ended 31 December 2019
 (In thousands of euros)

DISCLAIMER: The English version is a translation of the original in Spanish for information purposes only. In case of a discrepancy, the Spanish original will prevail.

2019	Balance	Maturity		
		3 months	6 months	12 months
Investees	14,755	14,755	-	-
Mediaset Italia Group	2,693	2,693	-	-
Total	17,448	17,448	-	-

2018	Balance	Maturity		
		3 months	6 months	12 months
Investees	16,895	16,895	-	-
Mediaset Italia Group	2,474	2,474	-	-
Total	19,369	19,369	-	-

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No provisions of a significant amount have been made for bad debts in respect of the amounts owed by related parties.

Long-term loans to related companies

At 31 December 2019 it mainly includes the loan granted to Alea Media, S.A. for 1,800 thousand euros (800 thousand euros at 31 December 2018).

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this Note. During the year the Group companies performed the following transactions with associates:

	Sales		Other Income		Purchases of goods		Other expenses		Non-current asset purchases	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Producc. Mandarina, S.L.	53	124	-	-	3,699	3,130	-	-	3,325	4,275
La Fábrica de la Tele, S.L.	44	88	-	-	28,137	24,419	-	-	-	-
Megamedia Televisión, S.L.	-	362	-	-	-	10,293	-	-	-	886
Supersport Televisión, S.L.	-	494	-	-	-	10,075	-	-	-	-
Emissions Digitals de Catalunya, S.A.	30	198	-	-	-	73	-	-	-	-
Aunia Publicidad Interactiva, S.L.	-	-	41	9	38	1,330	-	-	-	7,588
Melodía Producciones, S.L.	60	-	84	17	42	463	-	-	10,602	5,423
Alea Media, S.A	2	-	-	-	-	-	-	-	-	-
Pegaso Group	-	-	-	665	-	-	-	692	-	-
Mediaset Italia Group	3,145	1,762	24	156	2,171	1,949	1,274	1,414	-	-
Bulldog Tv Spain, S.L.	1	47	-	-	25,143	20,932	-	-	-	-
Alma Productora Audiovisual, S.L.	8	10	-	-	3,919	1,593	-	-	-	-
Unicorn Content, S.L.	8	1	-	-	18,729	1,602	-	-	-	-
Total	3,351	3,086	149	847	81,878	75,859	1,274	2,106	13,927	18,172

The dividends received from related companies in 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
La Fábrica de la Tele , S.L.	1,096	859
Producc. Mandarina, S.L.	-	61
Megamedia Televisión, S.L.	-	280
Supersport Televisión, S.L.	-	442
Bulldog Tv Spain, S.L.	600	750
	<u>1,696</u>	<u>2,392</u>

23.2. Remuneration of directors

The total remuneration earned by the members of the Company's Board of Directors in 2019 and 2018 amounted to 5,679 thousand euros and 5,298 thousand euros, respectively, in respect of salary and other benefits in kind. In addition, 386 thousand euros were paid out in 2019 under the Incentive Plan described in note 20.

Also, the Company has not granted the directors any advances or loans and it has not assumed any pension obligations or guarantees on behalf of any member of the Board of Directors.

No share option plans were granted to the directors in 2019 or 2018.

Other disclosures concerning the Board of Directors

In relation to Article 229 of the Spanish Limited Liability Companies Law, the directors have reported that they do not have any conflicts of interest with respect to the Company.

In 2019 insurance premiums amounting to 53 thousand euros (55 thousand euros in 2018) were paid in relation to third-party liability of the Parent Company's directors for damage caused in the year in the performance of their duties.

No natural person represented the Parent Company on managing bodies in 2018, as it was not a legal entity director in any company.

Remuneration of senior executives

The breakdown of the remuneration of the Group's senior executives and persons carrying out similar duties -excluding those who are simultaneously executive members of the Board of Directors- is as follows:

<u>Number of persons</u>		<u>Total remuneration (Thousands of euros)</u>	
2019	2018	2019	2018
19	20	8,379	8,105

The senior executives are identified in the corporate governance report.

The remuneration consists of a fixed amount and a variable amount. The variable remuneration is calculated by applying a percentage to the fixed remuneration in each case, based on the achievement of certain annual targets.

As in 2018, in 2019 no share options were made available to the senior executives.

24. Significant events after the reporting period

There have been no subsequent significant events in addition to those detailed in Note 1.2 of these Notes to the Financial Statements.

THE SPANISH ECONOMY IN 2019

The data on economic developments available at the time that these annual accounts were prepared indicate that the Spanish economy will have grown by around 1.9% in 2019, 5 tenths lower than that recorded in 2018 and which includes 0.4 point growth in the fourth quarter of the year, equal to that of the previous quarter and which paints a picture of stability in the final part of the year although, when looking at the year as whole, there has been a loss of traction due to less momentum with domestic demand (with a contribution of around 1.6 points between consumption and investment) and the lower contribution from foreign trade (0.3 points) due to the trade situation and the tense environment between China and the United States, the uncertainty of Brexit, and the sluggish economic performance of our main business partners.

Globally, estimates are that growth will be around 3% in 2019, the lowest since the end of the Major Crisis and ranging from 2.3% growth in the United States to an estimated 1.1% for the European Union as a whole, which is still growing below the Spanish economy. It is worth noting the disappointing performance of the German economy, traditionally the EU's biggest driver, which has been badly hit by the downturn in world trade in 2019 (its GDP is expected to grow by only 0.6% for the year as a whole), and that of Italy, with growth of only 0.2% for the year.

In terms of employment, the growth experienced during the year allowed the unemployment rate to decline to 13.8% at the end of the year, the lowest figure since 2008, although it is true that there has been a slowdown in job creation, which has recorded its lowest figures since the beginning of the recovery despite a magnificent fourth quarter that surprisingly saw almost one hundred thousand new jobs.

In terms of inflation, it closed the year at 0.8%, with an average rate of 0.7% for the year, a figure well below that recorded in 2018, mainly due to the behaviour of energy prices. Core inflation, which excludes these products, remained stable at 1.1%.

As far as 2020 is concerned, most forecasts indicate that Spain will grow at a lower rate than in 2019, around 1.6% according to the consensus. As for its composition, it is estimated that most of it will come from domestic demand as the contribution of foreign trade is expected to be zero or even marginally negative.

Analysts' consensus points to an average inflation rate of around 1.1%, i.e. four tenths higher than that recorded in 2019 while, in terms of job creation, projections show a slowdown in the number of new jobs, in line with the trend already observed last year and also with the lower rate of economic growth which is the central scenario of all the forecasts, so it is likely that the unemployment rate will not noticeably decrease during the year.

It is important to bear in mind that most global economic forecasts maintain that the growth rate in 2020 should not differ much from the 3% experienced in 2019, mainly because of the uncertainties already present in 2019 (trade tensions, Brexit, geopolitical instability) which, although in some cases, have been mitigated in recent months, they have not completely disappeared from the international environment. While on the other hand, new sources of instability have appeared, among which the coronavirus outbreak is particularly noteworthy, which, at the time of the preparing of these financial statements, we know it is already having a significant impact at a global level, both socially and economically, and the ultimate implications of which are still far from being discernible.

ORGANISATIONAL STRUCTURE

The corporate purpose of Mediaset España Comunicación, S.A., parent company of the Consolidated Mediaset España Group, is the indirect management of a public television service. At 31st December 2019, it was commercially operating seven television channels (Telecinco, Factoría de Ficción, Boing, Cuatro, Divinity, Energy and Be Mad). It is also the parent company of a Group of companies known as the Mediaset España Comunicación Group.

The distribution of the Company's share capital at 31st December 2019 and 2018 was as follows:

Owner	<u>2019</u> % of ownership	<u>2018</u> % of ownership
Mediaset, S.p.A.	53.26	51.63
Market	42.38	48.37
Treasury shares	4.36	-
Total	100.00	100.00

Traditionally, the Group's activities have focused mainly on the exploitation of advertising on the Company's TV channels, and in recent years it has expanded into activities that are complementary and linked to the traditional TV business, such as:

- Audio-visual production
- Distribution of content
- Sale of digital advertising

THE TELEVISION BUSINESS IN 2019

As indicated in the directors' reports accompanying the financial statements for 2018, official figures for the television advertising market for that year published by Infoadex indicated a slight decline with respect to the previous year, which indicated a market without growth if the TV advertising data for 2017 and 2018 were considered together.

With regard to 2019, according to the figures recently made public by Infoadex, television advertising fell 5.8%, the worst performance since the beginning of the economic recovery in 2014.

There are several and varied factors that help explain this market behaviour, such as: a comparison with a year (2018) which featured a major sporting event (the 2018 FIFA World Cup), the irregular performance of some key sectors in the advertising market and the depletion of private consumption which, after years of high growth, especially for durable consumer goods, favoured by the take-off effect after the market's flat behaviour after the crisis, has reduced its growth rates in favour of other GDP components.

Additionally, and as mentioned last year, the market performance is also accompanied by an unmistakable volatility with respect to market performance month-on-month and quarter-on-quarter and behind which there is a very tactical approach by advertisers when determining the timing of their advertising investments, depending on the evolution of the markets in which they operate.

These market trends point towards greater convergence between television and digital media and recommend thinking more in terms of an "Audio-visual Market" encompassing both the television advertising market and the digital market offering video content, since a combination of television and digital provides a new backdrop which both increases forms of consumption and operators' offerings; operators who in turn are required to compete with the players offering video content in an increasingly diversified market.

In line with this definition and per Infoadex data, the Audio-visual Market achieved an advertising spend of 3,429.6 million euros in 2019, this figure is practically identical to that of the previous year and reflects both the performance of the TV advertising market during the year (-5.8% to 2,002.8 million euros) and that of the video + display part of digital advertising, which grew by 8.3% in the year to 1,426.8 million.

The Mediaset Group has achieved a 26.3% share of this market through its television channels, digital content platforms and websites that combine the notoriety and coverage of the traditional television offer with a solid digital platform that includes direct and programmatic sales, video, display catalogue and development of branded content.

Once again, television consumption (measured in terms of minutes per viewer per day) has remained strong because, although decreases have been registered following the all-time highs recorded in mid-2013 (figures which, moreover, were undoubtedly inflated by the severity of the economic crisis) and there has also been a slight reversal with respect to figures in the previous year, it continues showing some of the highest figures seen in our environment, which is undoubtedly a clear indication of television's good health as a commercial communication tool. In particular, the figures as of 31 December 2019 show an average consumption per viewer of 222 minutes/day compared to 234 minutes the previous year.

As for prices, these continued to recover during the year, albeit at a slower rate than in previous years, and at the end of the reporting period it is considered that around 50% of the loss seen since the all-time highs recorded in 2007 has still to be recovered, while advertising occupancy achieved levels close to 90% in the year.

In relation to the Mediaset Group, it is worth noting that, according to figures published by Infoadex, we achieved a 43.4% share in TV in 2019, climbing one decimal point compared to 2018, a very remarkable fact given that last year we broadcast all the 2018 FIFA World Cup football matches, which means that, eliminating this impact on the basis of comparison, the market share we have gained would be even greater as a result of the strength, diversity and depth of our programming grid.

These figures place us 2.7 percentage points ahead of our main competitor, who registered 40.7%.

In terms of audience, the data for the year (always in terms of Total Day) show that our Group continues to be the global leader with a 28.9% audience share and a 2.7 point difference with our main competitor (the difference was two points in 2018).

Once again, Telecinco led the audience with 14.8%, 2.7 points ahead of its main competitor (8 points in 2018), while Cuatro reached 5.3% and the rest of the Group's thematic channels 8.8%, placing them 1.2 points behind that of their main competitor's thematic channels.

A comparison of the Group's results in 2019 with those in 2018 shows the following:

- Operating revenues went from 981,564 thousand euros to 946,241 thousand euros, mainly due to the fall in TV advertising revenues in the year.
- Operating expenses went from 724,672 thousand euros in 2018 to 681,347 thousand euros, a very considerable reduction that reflects the adaptability of our business model to the reality of the market without affecting our leadership objectives in terms of both audience and advertising market, which were clearly achieved once again this year.
- Finally, the net profit attributable to the Parent Company in 2019 amounted to 211,713 thousand euros compared to 200,326 thousand euros in 2018, an increase obtained in the context of a declining advertising market which once again demonstrates the Group's ability to manage the cost base in an integrated manner while meeting the operating and financial targets set at the beginning of the year.

In November 2019 the Group acquired 5.5% of the shares of the German television operator Prosieben Sat which, added to the 10% held by the majority shareholder Mediaset SpA, makes Mediaset its largest shareholder. This operation is of a purely industrial nature and it is closely linked to the Group's strategic objective of combining efforts to promote the creation of a pan-European communications group capable of meeting the new technological

challenges and competing effectively with the new global digital operators. This acquisition was carried out through a mix of direct purchases of shares and derivatives contracted with a leading financial institution.

DIVIDENDS AND TREASURY SHARES

In 2019 an ordinary dividend of 99,958 thousand euros was distributed, charged against the 2018 profit, equivalent to 0.30590132 per share.

During the year, a Share Buyback Plan, approved by the Board of Directors on 23rd January, was implemented. The purchases were made up to 5th June 2019 and resulted in a total of 14,419,910 shares, equivalent to 4.36% of the Parent Company's share capital, with 94.5 million euros paid out in the execution of the Plan.

INVESTMENTS IN RIGHTS AND CINEMA

The Mediaset España Group is continuing with its policy of investing in audio-visual rights, which it selects carefully in terms of type and content in order to maintain audience figures in the future and ensure optimum advertising.

The Group also places particular emphasis on investment in the production of Spanish series.

Particularly worth mentioning is the activity carried out by Telecinco Cinema, which is 100% owned by the Group, and responsible for the legal requirement to invest 3% of the Parent Company's profit from operations in Spanish and European film production.

Based on the premise that investment in films results from a legal obligation and not from a freely made decision, it should be mentioned that in general the Group has opted for quality and ambition when it comes to the projects it undertakes, based on a global strategic approach to our activities in this area, which aims to choose, where viable, productions of a certain dimension and size that can be exploited internationally based on market conditions and our financial capacity, as the obligation is imposed on the income generated irrespective of Group trends or performance and without any regard for the costs incurred or the margins obtained.

In short, the objective is to successfully bring together talent, profitability and opportunities for our most brilliant or promising professionals, with the intention, as far as possible, since this is not a voluntary activity, to endeavour to maximise our investment and produce films that blend quality and box-office appeal, while bearing the Group's hallmark.

After the magnificent results achieved in prior years, which have propelled Telecinco Cinema into the position of Spain's leading film producer, in 2019, we managed to place the two films that were premiered into the five most viewed films of the year, each of which exceeded 10 million euros in takings.

The first title we released was "La dejo cuando quiero", a remake of the acclaimed Italian comedy "Smetto quando voglio". Directed by Carlos Therón and boasting a cast of young actors, it was launched in April by Sony Pictures. The film was seen in theatres by 1.8 million viewers, generating more than 11 million euros at the box office.

"Si yo fuera rico", directed by Álvaro Fernández Armesto and starring Alex García and Alexandra Jiménez, is a remake of the French comedy "Si J'etais riche" and was released in November. The film is still showing in theatres and has attracted over two million viewers, bringing in more than 12million euros in box office takings.

2019 was also a year of intense activity in film production, with four new films scheduled for release in 2020, all of which are of great importance and belong to diverse styles in line with the concept of variety of genres that is the hallmark of our production company.

The first release of the year was "Adú", it was launched at the end of January by Paramount Pictures, with takings of over a million euros in its first weekend of screening and, at the time of writing, it has risen to the top of the ranking of Spanish films released this year. Directed by Salvador Calvo and starring Anna Castillo, Luis Tosar and the young Mustapha Oumarau, it has been filmed in different areas of Africa and Spain.

"Operación Camarón" is a comedy remake of the Italian "Song' e Napule", will hit screens in March. The film is distributed by "The Walt Disney Company", directed by Carlos Therón and starring Julián López and Natalia de Molina.

"Malnazidos" will be released in movie theatres in September. The film, directed by Javier Ruiz Caldera and starring Miki Esparbé and Aura Garrido, will be distributed by Sony Pictures Entertainment.

Finally, "Waydown" is our most ambitious project of the year. Directed by Jaime Balagueró, it has been shot in English and has a top-notch international cast, including Freddy Highmore ("The good doctor"), Liam Cunningham ("Game of Thrones") and the Spaniards José Coronado and Luis Tosar. It will be released in November, again by Sony Pictures Entertainment.

INTERNET

In 2019 our Group has consolidated its leadership in digital video consumption according to Comscore data, reaching its best result ever with 4,778 million videos viewed between January and December, almost double the figure for 2018 and that puts us well ahead of our main competitor, who registered 3,070 million, and the state public television station which logged 682 million. With this data, the Mediaset Group reaches the third position in the global ranking of videos, surpassed only by Google and VEVO.

The data shows that we have witnessed a major growth in video consumption on the various webs, most notably Telecinco.es, which closed the year with an increase of 90% compared to 2018, reaching 926 million videos downloaded (almost triple that of Antena3.com, which

reported 357 million) and Cuatro.com, which increased by 92% to 234 million videos viewed, ahead of lasexta.com, which reported 207 million).

Regarding TV content platforms, Mitele.es reinforces its leadership in video consumption with 2.6 billion downloads, which represents a growth of 70% (Atresplayer, one of its main competitors, reached 1.444 million), while the digital native content platform Mtmad has achieved a total of 233 million videos viewed, no less than four times the 2018 record.

In terms of traffic, the growth of the Telecinco.es and Cuatro.com sites stands out again, ending the year with 9.8 and 4.6 million unique users in December, respectively. In addition, Mitele.es reached 2.8 million unique users according to Comscore data.

Meanwhile, Mediaset España's YouTube channels closed the year with more than 640 million videos accumulated from January to December, doubling the figure for the previous year, while the Group's apps totalled five million downloads, with the Mitele (3.8 million downloads) and Big Brother (920,000) apps being particularly noteworthy.

The launch of the Mitele PLUS payment platform at the end of July deserves particular attention. This platform makes regular Mediaset content available to the user without advertising, while incorporating others (including sports contents such as the Santander and Smartbank League, the Champions and the Europa League) live and on demand, complementing the offer with exclusive content for Mitele Plus users such as the catalogue of Turkish soap operas, exclusive 24-hour channels of the Group's main "reality" shows, exclusive programme previews and VOD content from various other formats such as MYHYV. In 2019, the Mitele Plus platform reached 123,845 subscribers.

Finally, we would like to mention the launch of NIUS' webs, Mediaset's new digital newspaper, and Uppers, a vertical portal focused on information and entertainment for a "senior" audience. Both initiatives have had an upward trend since their creation to reach 941,000 and 404,000 unique users respectively by the end of 2019.

TREASURY SHARES

At 31st December 2019, the Group held 14,269,073 treasury shares of the parent company, equivalent to 4.36% of the share capital and with a par value of 7,135 thousand euros, whereas at 31st December 2018 it held only one share, which was below the maximum permitted under the Spanish Companies Law for listed companies.

PAYMENTS TO SUPPLIERS

In 2019 the average period of payment to the Company's Spanish suppliers was 70 days, which was slightly more than in 2018 (65 days).

It should be noted that the difference with respect to the maximum payment period stipulated in the legislation combating late payment is due almost exclusively to the stringent control

exercised by the Group in relation to the corporate and tax requirements to be met in relation to the invoices received, which means that the invoices may not be paid until the issues identified therein have been resolved. Otherwise, the Group complies scrupulously with the regulations contained in the legislation combating late payment.

MEDIASET ESPAÑA SHARES

2019 has been a year that can be described as intense as far as the stock market is concerned, for a variety of reasons: firstly, there is the slowdown in the domestic economy that we have mentioned earlier in the report and the political uncertainty which always discourages investors. In addition to these factors, international issues such as Brexit and trade tensions between China and the United States have led to a situation of instability to which the markets have been sensitive.

However, the stock markets experienced generalised increases during the year, in particular, the progress of the Italian MIB (28.3%), the French CAC (26.4%) and the German DAX (25.3%), while the British FTSE 100, affected by the never-ending Brexit, closed the year with a rise of 12.1%, mainly caused by the upturn that took place in the last part of the year.

The IBEX 35, on the other hand, was revalued by 11.8% in 2019 to 9,549.20 points, in other words, a much more moderate record than that of the other European indices. As for the American stock markets, in 2019 we once again saw record highs in both the Dow Jones and the Nasdaq, which rose by 22.3% and 38% respectively.

In 2019 the media sector experienced a disparate evolution: while the British ITV led the way with a rise of 20.9% followed closely by M6 (+19.5) Atresmedia declined by 20.2% and Prosieben and Mediaset SpA fell by 10.5% and 3.1% respectively. In the middle of the board, Mediaset España grew by 3.1% and TF1 by 4.5%.

With these data, the Mediaset España share reached a market capitalization of 1,853 million euros at the end of the year, 2.4 times the size of Atresmedia, the second operator on the Spanish market, which placed us in fifth position among European operators. The annual high was on 6th March, when it reached 7.03 euros and the low was on 12th August (5.10 euros).

CORPORATE GOVERNANCE

Corporate Governance best practices pursue the implementation of rules, principles and incentive in companies that help protect the interests of the company and the stakeholders and guarantee professional management conduct.

Mediaset España's commitment to the rules and principles of good governance has been evident from the moment we became a listed company in 2004. Ever since then, our principal objective has been to adapt our various bodies of rules to the Code of Good Governance as well as the approval of others that did not exist until now: our Code of Ethics, which must be complied with by any individual or legal entity that collaborates in any area or in any way with

us, and the Internal Code of Conduct of Mediaset España Comunicación, S.A. and its Group of companies for matters related to the Securities Markets.

This also implied a quantitative and qualitative review of the Board of Directors and the Committees in order to comply with the recommendations in this area.

The verification by independent auditors of our reports on (i) Corporate Governance; (ii) Remuneration Policy; and (iii) Corporate Responsibility, including the binding submission of the latter to the shareholders at the Annual General Meeting, have placed us at the head of the IBEX-35 companies in terms of Corporate Governance, as has been recognised by various institutions specialising in this area.

The non-financial information for 2019 is presented in the separate report: "Statement of Non-Financial Information"; likewise, the "Annual Corporate Governance Report" for that year is presented separately as part of this Consolidated Management Report.

HEDGING OF FINANCIAL RISKS

The Group arranges financial instruments to hedge transactions in foreign currencies (mainly purchases of third party production rights). These hedging transactions aim to mitigate the impact on the consolidated statement of profit or loss of exchange-rate fluctuations in relation to outstanding liabilities corresponding to the aforementioned transactions and, for such purpose, purchases of currencies are arranged for the amount of such liabilities at the scheduled payment dates.

RISK CONTROL

The Group's risk management policy is described in Note 8.4 to the accompanying Consolidated Financial Statements.

RESEARCH AND DEVELOPMENT

Our main investments are concentrated on the present and future content broadcast by our Group. We do not have a specific Investment and Development department, although innovation is one of our critical points of development.

ENVIRONMENTAL MATTERS

In view of the Group's business activities, it does not have any environmental liability, expenses, assets, provisions or contingencies that might be material with respect to its equity, financial position or results.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

There have been no significant events after year-end other than those disclosed in the notes to the Financial Statements.

CAPITAL STRUCTURE

At 31 December 2019, the Parent's share capital amounted to 163,718 thousand euros representing 327,435,216 shares a number identical to last year. All the shares are represented by book entries and are of the same class.

The Parent's shares are traded on the Madrid, Barcelona, Bilbao and Valencia Stock Exchanges. The ISIN code is ES0152503035.

Mediaset España Comunicación, S.A. has been an IBEX 35 listed company since 3 January 2005.

OUTLOOK FOR THE COMPANY'S BUSINESS DEVELOPMENT

The Group's business in 2020 will be inseparably linked to the completion of the tripartite merger of the Spanish, Italian and Dutch companies into "Media for Europe" (MFE), a merger which, as of the date of preparation of these financial statements, is awaiting the suspension or rejection in Spain and the Netherlands of the interim relief which Vivendi, a shareholder, has requested in relation to the resolutions of the General Meetings of Mediaset España and Mediaset Italia, taken on 4 September 2019, and which are pending resolution at the date of preparation of these financial statements.

This merger is of an eminently strategic and industrial nature and is aimed at gaining the necessary scale to compete effectively in the new, highly globalized audio-visual environment in which digital technology requires joint efforts to achieve the objectives set, having quantified the specific synergies that will arise in specific areas of the business, particularly those related to new technologies and activities in the digital field.

The proposed merger will not affect the traditional television business activities that will continue to be carried out locally.

In relation to the operational activity of our Group's business, apart from the crystallisation of the proposed merger, it can be said that historically the free-to-air television line of business was directly dependent on advertising which, in turn, was seen to have a strong correlation with economic development in general and with consumer spending in particular, i.e. behaviour typical of cyclical businesses.

More recently, however, it has been observed that this cyclical nature has lessened because, although it is not possible to state unequivocally that advertising has disconnected from the macro economic variables, the evolution of the market that has been observed over the last

few years does not coincide with the growth of both Gross Domestic Product and private consumption that has taken place in the same period.

In addition, albeit still in an early phase, but highly significant because it offers much higher growth than that afforded by more conventional advertising, the Group is increasing its revenue base towards activities which offer a promising future: revenue from digital advertising through our internet platforms, the sale of content to third parties taking advantage of the important weight our in-house productions have in our programme schedule together with the existence of a steadily increasing structural base for the creation of content both directly in house or through stakes in independent producers and all this without forgetting the growing demand for domestic production by the new audio-visual platforms.

Specifically with regard to this production and content-distribution activity, the Group created a company (“Mediterráneo”) at the end of 2018 to serve as a content warehouse to bring together, from a business perspective, those non-advertising activities which already have a proven record of experience and success and encompass a diverse range of categories such as entertainment, fiction, films, sporting events and digital formats, to which we add our experience in content marketing (we already have customers in approximately 190 territories) to other operators, channels, devices, SVOD platforms, etc, an activity that has continued in 2019 with strong growth rates.

Therefore, in light of the above and always mindful of retaining our position as a frontrunner and which has led us to maintain our undisputed lead among the Spanish communication groups, we can state that our Group intends to go beyond being a TV operator to become a media company in the broadest sense of the word, maintaining its privileged position where traditional television is concerned while working to strengthen and develop those new lines of business that are directly linked to traditional TV, which represents a huge opportunity and for which we are well prepared due to our experience and success both in advertising sales and in the creation, production and exploitation of multi-platform audio-visual content.

Based on data of television consumption measured in minutes/day and the weight of free-to-air television in terms of global audio-visual consumption via the various platforms, we expect the share of TV advertising revenues in the overall advertising pie remains high, demonstrating the importance of TV as a means of distributing advertising messages due to its penetration, simultaneous exposure to consumers, standardised audience and impact measurement techniques, and the security of its environment, namely, that it is a the strictly-regulated media.

We will continue our efforts to ensure the distribution of our content across all the platforms and devices available to viewers (TV, on-line platforms, etc.) by investing in both economic resources and personnel in line with what we have been doing in recent years, always following a strategy based on the sale of advertising via the various media as the main source of revenue.

In this context of an ever changing market and new forms of audio-visual content distribution, our Group’s business strategy will continue to focus on maintaining our leadership position

both in terms of audience and exploitation of the advertising market, with a strong presence in the production of in-house content both through our own resources and in association with independent producers, including those in which we have a non-controlling ownership interest and whose number has been increasing in recent years as the product typology base has expanded.

Indeed, we consider that robust and diverse in-house production provides us with a unique strong point that enables us both to equip ourselves with exclusive content that has historically been praised by the public and to take advantage of the marketing opportunity resulting from the emergence of new operators that demand quality content.

Regarding costs, we will continue with our traditional focus on them with the aim of determining an optimum base that will allow us to maximise our margins and cash flows by taking advantage of the operating leverage that is inherent to the free-to-air TV sector. This will be done by adapting to the conditions of the environment that affect the generation of income and helped by the weight of our in-house production.

When it comes to our programming grid, we will continue to exploit the genres that have historically been popular with audiences and that have made us the leading group, as well as our strategy of diversifying and focusing on audiences through our family of channels in order to achieve a better understanding of the audience and also a more attractive company profile for our customers. In the context of sporting event rights our strategy will continue to focus on taking advantage of those windows of opportunity that enable us to transmit popular events capable of increasing our audience and advertising levels, provided that the cost of buying such rights allow us the possibility to make them profitable. In this regard, it should be noted that in 2020 our group will have practically all the major sports rights (particularly the European Championship for national teams, for which we have the rights for all matches) that will be broadcast on free-to-air television.

Finally, maintaining a solid financial and equity position will continue to be a key objective since we believe that it not only enables us to objectively consider, with the necessary independence, the operational and business opportunities that may arise in such a changing market, but it also strengthens our competitive position, given the high financial leverage that affects most companies operating in our sector.

We will continue to be alert to any possible investments (in particular with regard to our new digital or content production and distribution businesses) that may bring growth or increased margins to our Group, for which we consider the positive cash position and unchanged borrowing capacity to be a unique advantage.