

Mediaset España Comunicación, S.A. and Subsidiaries

**Consolidated Financial Statements for
the year ended 31 December 2021 and
Consolidated 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 2021, 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 2021, 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 revenue

Description

As indicated in Note 21 to the accompanying consolidated financial statements, advertising sales made by the Group account for approximately 93% of total revenue and relate mainly to insertions of its customers' advertisements in spaces owned by the Group.

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

In view of the large number of transactions, the diverse nature of contractual terms and conditions and the importance of the aforementioned computer systems, the recognition of this revenue was considered to be a key matter in our audit.

Procedures applied in the audit

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

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

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

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

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

Other Information: Consolidated Directors' Report

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

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

- a) Solely checking that the consolidated non-financial information statement, certain information included in the Annual Corporate Governance Report and the Annual Director's Remuneration Report, to which the Spanish Audit Law refers, have been furnished as provided for in the applicable legislation and, if this is not the case, reporting this fact.
- b) Evaluating and reporting on whether the other information included in the consolidated directors' report is consistent with the consolidated financial statements, based on the knowledge of the Group obtained in the audit of those consolidated financial statements, as well as evaluating and reporting on whether the content and presentation of this section of the consolidated directors' report are in conformity with the applicable regulations. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report that fact.

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

European Single Electronic Format

We have examined the digital files in European Single Electronic Format (ESEF) of Mediaset España Comunicación, S.A. and subsidiaries for 2021, which comprise the XHTML file including the consolidated financial statements for 2021 and the XBRL files with the tagging performed by the entity, which will form part of the annual financial report.

The directors of Mediaset España Comunicación, S.A. are responsible for presenting the annual financial report for 2021 in accordance with the format and markup requirements established in Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 (“ESEF Regulation”). For these purposes, the Annual Corporate Governance Report and the Annual Directors’ Remuneration Report were included by reference in the consolidated directors’ report.

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

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

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 23 February 2022.

Engagement Period

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

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

DELOITTE, S.L.

Registered in ROAC under no. S0692



Fernando García Beato

Registered in ROAC under no. 18142

23 February 2022

Appendix 1 to our auditor's report

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

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

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

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

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

Consolidated Financial Statements for the year ended 31 December 2021,
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 SubsidiariesCONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2021
(In thousands of euros)

| ASSETS | | 31/12/2021 | 31/12/2020 |
|--|---------------------|-------------------|-------------------|
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | (Note 6) | 44,094 | 49,880 |
| Intangible assets | (Note 7) | 166,574 | 175,396 |
| Audiovisual property rights | (Note 8) | 142,345 | 129,356 |
| Goodwill | (Note 9) | 294,506 | 294,508 |
| Investments accounted for using the equity method | (Note 10) | 9,172 | 7,719 |
| Non-current financial assets | (Notes 11 and 13.2) | 441,879 | 359,753 |
| Deferred tax assets | (Note 18.5) | 49,627 | 79,197 |
| Total non-current assets | | 1,148,197 | 1,095,809 |
| CURRENT ASSETS | | | |
| Inventories | | 4,790 | 12,986 |
| Accounts receivable | | 255,402 | 263,051 |
| Trade receivables for sales and services | (Note 13.2) | 233,990 | 250,959 |
| Trade receivables from related parties | (Note 13.2) | 626 | 313 |
| Sundry accounts receivable | (Note 13.2) | 1,156 | 1,443 |
| Employee receivables | (Note 13.2) | 54 | 67 |
| Receivable from public authorities | (Note 18.3) | 997 | 5,989 |
| Current tax assets | (Note 18.3) | 18,579 | 4,280 |
| Other current assets | (Note 12) | 6,236 | 27,415 |
| Other current financial assets | (Note 13.2) | 4,613 | 4,267 |
| Cash and cash equivalents | (Note 14) | 288,993 | 321,181 |
| Total current assets | | 560,034 | 628,900 |
| TOTAL ASSETS | | 1,708,231 | 1,724,709 |

The accompanying Notes 1 to 24 are an integral part of this Consolidated Statement of Financial Position for the year ended 31 December 2021.

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Mediaset España Comunicación, S.A. and Subsidiaries

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2021
(In thousands of euros)

| EQUITY AND LIABILITIES | | 31/12/2021 | 31/12/2020 |
|---|-------------|-------------------|-------------------|
| EQUITY | (Note 15) | | |
| Share capital | | 156,583 | 163,718 |
| Share premium | | 226,567 | 313,234 |
| Other reserves | | 708,594 | 522,253 |
| Treasury shares | | - | (94,038) |
| Valuation adjustments | | 360 | 25,740 |
| Profit for the period attributable to the Parent | | 181,031 | 178,731 |
| Total net equity of the Parent | | 1,273,135 | 1,109,638 |
| Non-controlling interests | | 2,327 | 2,272 |
| Total net equity | | 1,275,462 | 1,111,910 |
| NON-CURRENT LIABILITIES | | | |
| Long-term provisions | (Note 16) | 12,819 | 12,608 |
| Non-current Banking borrowings | (Note 13.2) | 60,470 | 296,763 |
| Other non-current liabilities | (Note 13.2) | 13,134 | 14,477 |
| Deferred tax liabilities | (Note 18.5) | 58,886 | 49,551 |
| Total non-current liabilities | | 145,309 | 373,399 |
| CURRENT LIABILITIES | | | |
| Payables to related parties | (Note 13.2) | 18,824 | 21,461 |
| Payable for purchases and services | (Note 13.2) | 88,142 | 92,466 |
| Payables for purchases of audiovisual property rights | (Note 13.2) | 36,009 | 32,771 |
| Other non-trade payables | | 81,848 | 44,597 |
| Bank borrowings | (Note 13.2) | 1,336 | 1,075 |
| Payable to public authorities | (Note 18.3) | 26,321 | 23,036 |
| Payables for acquisition of non-current assets | (Note 13.2) | 1,159 | 1,797 |
| Remuneration payable | (Note 13.2) | 19,772 | 14,338 |
| Other payables | (Note 13.2) | 33,260 | 4,351 |
| Short-term provisions | (Note 17) | 44,929 | 38,533 |
| Other current liabilities | | 17,708 | 9,572 |
| Total current liabilities | | 287,460 | 239,400 |
| TOTAL EQUITY AND LIABILITIES | | 1,708,231 | 1,724,709 |

The accompanying Notes 1 to 24 are an integral part of this Consolidated Statement of Financial Position for the year ended 31 December 2021.

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Mediaset España Comunicación, S.A. and Subsidiaries

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED
31 DECEMBER 2021
(In thousands of euros)

| | | <u>31/12/2021</u> | <u>31/12/2020</u> |
|---|---------------|-------------------|-------------------|
| REVENUE | | | |
| Revenue | (Note 21.1) | 865,918 | 825,963 |
| Sales | | 840,558 | 767,760 |
| Discounts and volume rebates | | (36,892) | (29,794) |
| Rendering of services | | 62,252 | 87,997 |
| Other operating income | | 10,419 | 10,684 |
| Total operating income | | 876,337 | 836,647 |
| EXPENSES | | | |
| Reduction in finished goods and work in progress | | 8,265 | (135) |
| Procurements | | 218,079 | 161,868 |
| Staff costs | (Note 21.2) | 131,259 | 120,567 |
| Audiovisual property rights used | (Note 8) | 97,175 | 126,705 |
| Depreciation and amortisation charge | (Notes 6 & 7) | 19,896 | 21,325 |
| Changes in operating allowances | (Note 21.3) | (2,213) | 817 |
| Other operating expenses | (Note 21.4) | 178,582 | 174,975 |
| Total operating expenses | | 651,043 | 606,122 |
| Profit from operations | | 225,294 | 230,525 |
| Finance income/(costs) | (Note 21.6) | 3,056 | (1,930) |
| Exchange differences | (Note 21.7) | (140) | 159 |
| Result of companies accounted for using the equity method | (Note 10) | 3,001 | 3,029 |
| Income/(expenses) from non-current financial assets | | 46 | (402) |
| Profit before tax | | 231,257 | 231,381 |
| Income tax | (Note 18.4) | 48,428 | 50,384 |
| Profit for the year | | 182,829 | 180,997 |
| Attributable to: | | | |
| Shareholders of the Parent | | 181,031 | 178,731 |
| Non-controlling interests | (Note 15.6) | 1,798 | 2,266 |
| Earnings per share | (Note 22.1) | 0.60 | 0.57 |
| Diluted earnings per share | (Note 22.2) | 0.60 | 0.57 |

The accompanying Notes 1 to 24 are an integral part of this Consolidated Statement of Profit or Loss for 2021.

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Mediaset España Comunicación, S.A. and Subsidiaries**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR
ENDED 31 DECEMBER 2021**
(In thousands of euros)

| | <u>31/12/2021</u> | <u>31/12/2020</u> |
|--|-------------------|-------------------|
| PROFIT FOR THE YEAR | <u>182,829</u> | <u>180,997</u> |
| Income and expense recognised directly in equity to be reclassified to the statement of profit or loss in the future | - | - |
| Income and expense recognised directly in equity not to be reclassified to the statement of profit or loss in the future | (17,534) | 27,489 |
| COMPREHENSIVE INCOME FOR THE YEAR | <u>165,295</u> | <u>208,486</u> |
| Attributable to: | | |
| Shareholders of the Parent | 163,497 | 206,220 |
| Non-controlling interests | 1,798 | 2,266 |

The accompanying Notes 1 to 24 are an integral part of this Consolidated Statement of Comprehensive Income for 2021.

Mediaset España Comunicación, S.A. and Subsidiaries
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2021

(In thousands of euros)

| | Other Reserves | | | | | Treasury shares | Value adjustments | Profit for year | Total net equity of the Parent | Non-controlling interests | Total |
|--|----------------|----------------|---------------|----------------|----------------------|-----------------|-------------------|-----------------|--------------------------------|---------------------------|------------------|
| | Issued Capital | Share Premium | Legal Reserve | Other Reserves | Total Other Reserves | | | | | | |
| | (Note 15.1) | (Note 15.2) | (Note 15.3) | | | | | | | | |
| Balance at 31.12.2020 | 163,718 | 313,234 | 32,744 | 489,509 | 522,253 | (94,038) | 25,740 | 178,731 | 1,109,638 | 2,272 | 1,111,910 |
| Components of other comprehensive income | - | - | - | 7,846 | 7,846 | - | (25,380) | - | (17,534) | - | (17,534) |
| Profit for the period | - | - | - | - | - | - | - | 181,031 | 181,031 | 1,798 | 182,829 |
| Comprehensive income | - | - | - | 7,846 | 7,846 | - | (25,380) | 181,031 | 163,497 | 1,798 | 165,295 |
| Distribution of profit | - | - | - | 178,731 | 178,731 | - | - | (178,731) | - | - | - |
| Dividends (Note 15.4) | - | - | - | - | - | - | - | - | - | - | - |
| Capital reduction | (7,135) | (86,667) | (1,427) | 1,427 | - | - | - | - | (93,802) | - | (93,802) |
| Treasury share transactions (net) | - | - | - | (236) | (236) | 94,038 | - | - | 93,802 | - | 93,802 |
| Other changes | - | - | - | - | - | - | - | - | - | (1,743) | (1,743) |
| Balance at 31.12.2021 | 156,583 | 226,567 | 31,317 | 677,277 | 708,594 | - | 360 | 181,031 | 1,273,135 | 2,327 | 1,275,462 |

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

The accompanying Notes 1 to 24 are an integral part of this Consolidated Statement of Changes in Equity for 2021

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Mediaset España Comunicación, S.A. and Subsidiaries

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2021

(In thousands of euros)

| | | <u>31/12/2021</u> | <u>31/12/2020</u> |
|---|-----------------|-------------------------|-------------------------|
| <u>CASH FLOWS FROM OPERATING ACTIVITIES</u> | | | |
| Net profit before tax | | <u>231,257</u> | <u>231,381</u> |
| <i>Adjustments</i> | | | |
| Audiovisual property rights used | (Note 8) | 97,175 | 126,705 |
| Depreciation and amortisation charge | (Notes 6 and 7) | 19,896 | 21,325 |
| Result of companies accounted for using the equity method | (Note 10) | (3,001) | (3,029) |
| Changes in operating allowances | (Note 21.3) | (2,213) | 817 |
| Changes in provisions for contingencies, charges and other | | 3,570 | (943) |
| Net finance costs | (Note 21.6) | (3,056) | 1,930 |
| Net exchange differences | (Note 21.7) | 140 | (159) |
| Derecognition of other assets | (Notes 6 and 7) | 331 | 1,338 |
| Net gains on disposals of other financial assets | | (46) | 402 |
| Profit from operations before changes in working capital | | <u>344,053</u> | <u>379,767</u> |
| <i>Changes in operating assets and liabilities net of effects arising from the acquisition of new investments</i> | | | |
| Inventories | | 8,196 | (131) |
| Accounts receivable | | 16,656 | (21,994) |
| Other current assets | | 11,825 | 9,806 |
| Accounts payable | | (6,962) | (22,213) |
| Other current and non-current liabilities | | 12,506 | 21,008 |
| Change in liability provisions | | 6,396 | (10,039) |
| Cash flows from operating activities | | <u>392,670</u> | <u>356,204</u> |
| Tax paid at source | (Note 18.4) | (43,960) | (37,781) |
| Other amounts paid/received | | (3,359) | (40) |
| Net cash flows from operating activities (A) | | <u>345,351</u> | <u>318,383</u> |
| <u>CASH FLOWS FROM INVESTING ACTIVITIES</u> | | | |
| Acquisition of property, plant and equipment | | (5,134) | (7,903) |
| Acquisitions of audiovisual property rights | | (109,188) | (98,902) |
| Disposals of audiovisual property rights | (Note 8) | 2,262 | 2,503 |
| Acquisition of intangible assets | (Note 7) | (2,510) | (3,916) |
| (Investments in)/Disposals of financial assets | | 37 | - |
| Investments in/Disposals of associates/other financial assets | (Note 11) | (123,014) | (60,500) |
| (Investments in)/Disposals of non-current financial assets | | 13,554 | (2,167) |
| Investments in group companies | | (3,997) | (4,928) |
| Dividends received | | 7,625 | 4,062 |
| Interest received | | 182 | - |
| Net cash flows from the sale of financial assets | | - | 689 |
| Net cash flows used in investing activities (B) | | <u>(220,183)</u> | <u>(171,062)</u> |
| <u>CASH FLOWS USED IN FINANCING ACTIVITIES</u> | | | |
| Long-term financing | (Note 13.2) | (178,121) | 48,749 |
| Interest paid | | (1,761) | (859) |
| Dividends paid | | (1,499) | - |
| Short-term financing | | 187 | 169 |
| Treasury share purchases | (Note 15.5) | (723) | (566) |
| Equity transactions | | 24,701 | (2,785) |
| Net cash flows used in financing activities (C) | | <u>(157,216)</u> | <u>44,708</u> |
| Increase/Decrease in cash and cash equivalents [D=A+B+C] | | <u>(32,048)</u> | <u>192,029</u> |
| Effect of exchange rate changes | (Note 21.7) | <u>(140)</u> | <u>159</u> |
| Net change in cash and cash equivalents | | <u>(32,188)</u> | <u>192,188</u> |
| Cash and cash equivalents at beginning of year | (Note 14) | <u>321,181</u> | <u>128,993</u> |
| Cash and cash equivalents at end of year | (Note 14) | <u>288,993</u> | <u>321,181</u> |

The accompanying Notes 1 to 24 are an integral part of this Consolidated Statement of Cash Flows for 2021.

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Mediaset España Comunicación, S.A. and Subsidiaries

Explanatory notes to the Consolidated Financial Statements for the year ended 31 December 2021
(In thousands of euros)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

1. Group Activity

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

MEDIASET ESPAÑA COMUNICACIÓN, S.A. - PARENT

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

The Company's object is the indirect management of a public television service. At 31 December 2021, it was commercially operating seven television channels (Telecinco, Factoría de Ficción, Boing, Cuatro, Divinity, Energy and Be Mad), with its registered office at Carretera de Fuencarral a Alcobendas, No. 4. The licences to operate these channels were granted as follows:

- In accordance with the terms of the State concession granted by the General Secretariat of Communications’ Resolution of August 28, 1989 and the concession agreement contained in the public deed of October 3, 1989, as well as all-natural operations related to and as a consequence of that management.
- This agreement was renewed for ten years from April 3, 2000 under a Council of Ministers’ agreement dated March 10, 2000.
- A Council of Ministers’ resolution dated November 25, 2005 extended this concession agreement as well as those of other national concessionaires to include three DTT (digital terrestrial television) channels.
- A Council of Ministers’ agreement dated March 26, 2010 renewed this concession for an additional ten years. The Company made all the investments required to start digital transmissions pursuant to Royal Decree 2169/1998, of October 9, which approved the Spanish National Technical Plan for Digital Terrestrial TV. Without prejudice to the above and in conformity with Second Transitory Provision of the Audiovisual Law, on May 3, 2010 the Company requested that the concession be changed to a license to offer an audiovisual communication service. Under the Council of Ministers’ resolution of June 11, 2010, the concession became a 15-year license to offer an audiovisual communication service. This license is automatically renewable for the same period provided the Company meets the requirements of Article 28 of the Law 7/2010, of March 31 (Audiovisual Law).
- Following the analogical blackout on April 3, 2010 (the “Analog Switch-off”), and by virtue of the Third Additional Provision of Royal Decree 944/2005 on May 4,

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

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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 6 May 2014, the digital channels La Siete and Nueve ceased broadcasting in compliance with the judgment handed down by the Third Chamber of the Spanish Supreme Court, as decided at a Council of Ministers meeting held on 22 March 2013.
- Based on an agreement reached by the Council of Ministers on October 16, 2015, the Company was granted a 15-year license to operate a new high-definition TDT channel, which may be extended in accordance with the terms stipulated by Audiovisual Law. Said channel, BeMad, began broadcasting on April 21, 2016, within the legal deadline set in the specifications for granting the license.

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

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

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

- Audiovisual production
- News agency services
- Advertising promotion

1.2 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:

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| Fully consolidated companies | Country | 2021 | 2020 |
|--|----------------|-------------|-------------|
| Grupo Editorial Tele 5, S.A.U. | Spain | 100% | 100% |
| Telecinco Cinema, S.A.U. (3) | Spain | 100% | 100% |
| Publiespaña, S.A.U. | Spain | 100% | 100% |
| Conecta 5 Telecinco, S.A.U. | Spain | 100% | 100% |
| Mediacinco Cartera, S.L.U. | Spain | 100% | 100% |
| Publimedia Gestión, S.A.U. (1) | Spain | 100% | 100% |
| Advertisement 4 Adventure, S.L.U. | Spain | 100% | 100% |
| Producción y Distribución de Contenidos Audiovisuales Mediterráneo, S.L.U. | Spain | 100% | 100% |
| Netsonic, S.L.U. (1) | Spain | 100% | 100% |
| Grupo Audiovisual Mediaset España Comunicación, S.A.U. | Spain | 100% | 100% |
| El Desmarque Portal Deportivo, S.L. (3) | Spain | 80% | 60% |
| Megamedia Televisión, S.L.U. (3) | Spain | 100% | 100% |
| Supersport Televisión, S.L. (3) | Spain | 62.50% | 62.50% |
| Aninpro Creative, S.L. (1) | Spain | 51% | 51% |
| Be a Iguana, S.L.U. (8) | Spain | 51% | 51% |
| Be a Tiger, S.L.U. (8) | Spain | 51% | - |
| Companies accounted for using the equity method | Country | 2021 | 2020 |
| Producciones Mandarina, S.L. (3) | Spain | 30% | 30% |
| La Fábrica de la Tele, S.L. (3) | Spain | 30% | 30% |
| Furia de Titanes II, A.I.E. (2) | Spain | 34% | 34% |
| Aunia Publicidad Interactiva, S.L. (1) | Spain | - | 50% |
| Alea Media, S.A. (3) | Spain | 40% | 40% |
| Melodía Producciones, S.L. (4) | Spain | - | 40% |
| Alea La Maleta, S.L.U. (6) | Spain | - | 40% |
| Pagoeta Media, S.L.U. (6) | Spain | 40% | 40% |
| Adtech Ventures, S.p.A. (1) | Italy | 50% | 50% |
| Bulldog TV Spain, S.L. (3) | Spain | 30% | 30% |
| Alma Productora Audiovisual, S.L. (3) | Spain | 30% | 30% |
| Unicorn Content, S.L. (3) | Spain | 30% | 30% |
| Fénix Media Audiovisual, S.L. (3) | Spain | 40% | 40% |
| Campanilla Films, S.L. (7) | Spain | 30% | 30% |
| Joint Ventures | Country | 2021 | 2020 |
| Telefónica Broadcast, S.L.U.–Supersport Televisión, S.L. (U.T.E.) (5) | Spain | 50% | 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) Company sold in 2021.

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

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

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

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

Changes in the scope of consolidation in the year ended 31 December 2021

- On 2 March 2021 the company Aninpro Creative, S.L. (51% owned) incorporated the investee Be a Tiger, S.L.U. and this company was fully consolidated.
- On 18 March 2021, the Group acquired an additional 20% stake in El Desmarque Portal Deportivo, S.L., bringing its current stake in the aforementioned company to 80%.
- In June 2021 the Group sold its stake in Melodía Producciones, S.L.

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- In July 2021 the Group's stake in Aunia Publicidad Interactiva, S.L. was dissolved due to the dissolution of the company.
- On 2 December 2021 the Group's stake in Alea La Maleta, S.L.U. was dissolved.

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

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

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

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

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

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

- Temperature readings at the facilities' entrances.
- Maintaining safety distance, or adopting other preventive measures, such as the installation of perspex screens etc.
- Mandatory use of FFP2 masks provided by the company on the premises.

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

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

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

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

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

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

In 2021, the company maintained its AENOR quality certification for its covid prevention system. This seal endorses the effectiveness of the protocols implemented by the company to guarantee the health of people and the sustainability of the business activity and certifies that they comply with the guidelines and criteria established by the Ministry of Health in terms of prevention and hygiene against this disease. In order to grant and maintain this certificate,

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

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

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

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

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

In this context, since the beginning of the crisis, the Mediaset Group's actions have consisted in continuously and efficiently adapting our costs to the new market reality, taking advantage of both our capacity to create our own content and our experience in managing disruptive business situations, without renouncing great content, such as the broadcasting of the Euro 2020 Football Championship.

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

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

With regard to financial, credit and cash aspects, the Group's cash available at 31 December 2021 exceeds 288 million euros (see Note 14) to which 260 million euros corresponding to undrawn credit lines must be added (see Note 13.6.4), totalling financing resources of over 548 million euros, thus maintaining an objective position of financial strength and allowing us to be prepared to face worst case scenarios in terms of recovering a complete economic normality and to undertake potential investment opportunities.

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

Regarding the impairment test performed after closing the 2021 financial statements on the goodwill and other intangible assets associated with the cash-generating unit (CGU) related to the free-to-air television business (see Note 9) as well as the deferred tax assets recognised (see Note 18), the results of this test show that there is more than enough slack between the resulting values for the year and the carrying amounts of the CGU.

SUBSIDIARIES

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

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

Grupo Editorial Tele 5, S.A.U.

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

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

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.

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- e) The activities listed above may be carried out by the Company, in whole or in part, indirectly, through ownership interests in other companies with a similar purpose.

Conecta 5 Telecinco, S.A.U.

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

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

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

Mediacinco Cartera, S.L.U.

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

The object of the company is:

- a) The investment by means of the acquisition, subscription, assumption, disbursement, holding, transfer, disposal, contribution or encumbrance of securities or movable assets including shares, ownership interests in companies or joint-property entities, subscription rights of companies, convertible or non-convertible bonds, commercial bonds, founders' shares, "rights" bonds, fixed income or equity securities, whether or not admitted to listing on official stock exchanges, government debt securities including Treasury bonds and ordinary and special Treasury bills, bills of exchange and certificates of deposit, all fully subject to applicable law.
- b) The provision of administrative, management and advisory services of an accounting, financial, tax, civil, commercial, employment and administrative nature to other companies in which it has a direct or indirect interest.

At 31 December 2021, the ownership interest held had reached 100% of the share capital. This company is currently inactive.

Advertisement 4 Adventure, S.L.U.

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

On 2 October 2015, it changed its name to Advertisement 4 Adventure, S.L.U., and its current business activity is the acquisition, subscription, holding, enjoyment and

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disposal of securities, debentures, bonds, shares and ownership interests in all kinds of Spanish or foreign civil and mercantile, industrial or commercial companies.

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

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

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

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

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

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 cinematographic production.

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.

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

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

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

Megamedia Televisión, S.L.U.

The company Megamedia Televisión, S.L.U was incorporated on 17 May 2013 under the name Volare Media, S.L. On 12 September 2013 it changed its name to the current Megamedia Televisión, S.L. It currently has its registered office at calle Federico Mompou, 5 BIS edificio G in Madrid.

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

Supersport Televisión, S.L.

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

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

El Desmarque Portal Deportivo, S.L.

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

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

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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 audiences of Latin American countries of both international media groups (with an audience in Latin America) and the Latin Americans themselves.

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

Aninpro Creative, S.L.

The company Aninpro Creative, S.L. has established its registered office at Calle Zurbarán, 16, Madrid.

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

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

Be a Iguana, S.L.U.

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

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

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Be a Tiger. S.L.U.

The company Be a Tiger, S.L.U. has its registered office in Madrid, Calle Zurbarán, 16.

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

ASSOCIATES OF MEDIASET ESPAÑA COMUNICACION, S.A.

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

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

| Company | 2021 | 2020 | Line of business |
|---|------|------|--|
| Producciones Mandarina, S.L. C/ María Tubau, 3 28050 Madrid | 30% | 30% | Creation and development of audiovisual 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 audiovisual content, as well as the production and commercial exploitation thereof. |
| Bulldog TV Spain, S.L. C/ Orense ,56, 10ºB 28020 Madrid | 30% | 30% | Audiovisual production, creation and development of audiovisual content in any format and the production of this content by any broadcasting means. |
| Alma Productora Audiovisual, S.L. C/ Alfonso XII, 8, 2º Dcha. 28014 Madrid | 30% | 30% | Production and distribution of programmes and audiovisual 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 audiovisual works, including audiovisual recordings. |
| Melodía Producciones, S.L. (*) C/ Serrano Anguita, 10 28004 Madrid | - | 40% | Creation, development, production, acquisition and commercial exploitation of literary, musical, visual and audiovisual works, including audiovisual recordings. |
| Pagoeta Media, S.L. Avda.Alfonso XIII, 1 28002 Madrid | 40% | 40% | Sound recording and music edition activities |
| Alea La Maleta, S.L. Avda. Alfonso XIII,1 28002 Madrid | - | 40% | Performing arts |
| Fénix Media Audiovisual, S.L. Carretera Fuencarral a Alcobendas, km.4 28049 Madrid | 40% | 40% | Creation, acquisition, production, co-production, editing, filming or recording, reproduction, broadcasting, dissemination, distribution, marketing and exploitation in any form of any works or recordings, whether sound, audiovisual, written or computer-based, as well as related rights. |
| Campanilla Films, S.L. C/ María Tubau, 5 Puerta 4 28050 Madrid | 30% | 30% | Cinema and video production business. |

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

| Company | 2021 | 2020 | Line of business |
|--|------|------|--|
| Agrupación de Interés Económico Furia de Titanes II, A.I.E. C/ Teobaldo Power, 2-3ºD Santa Cruz de Tenerife | 34% | 34% | Presentation on its own account or on behalf of third parties of telecommunication services in any form and by any means, known or to be known, in accordance with the law at all times, involvement in any form whatsoever, in the creation, production, distribution and any kind of exploitation of audiovisual works, fiction, animation or documentaries. |

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

| Company | 2021 | 2020 | Line of business |
|--|------|------|--|
| Aunia Publicidad Interactiva, S.L. C/Orense, 85 Madrid | - | 50% | Provision of all manner of audiovisual communications services. |
| Adtech Ventures, S.p.A. Via Paleocapa, Pietro 3-Edif. Lexington Milán | 50% | 50% | The sale, in Italy and abroad, of advertising in the various media: press, internet, apps, Smart TV, radio, digital television channels, as well as other digital media and any further technological developments thereof. The provision of services relating to the planning of campaigns and events both in Italy and in other countries. Management of campaigns on automated advertising sale technology platforms. Development or acquisition of technology for the management and sale of new advertising formats. |

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

None of the above companies are listed.

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

JOINT VENTURES OF MEDIASET ESPAÑA COMUNICACIÓN, S.A.

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

| Company | 2021 | 2020 | Line of business |
|--|------|------|--|
| Telefónica Broadcast, S.L.U. – Supersport Televisión, S.L. Unión temporal de empresas Law 18/1982 Ronda de la Comunicación s/n 28050 Madrid | 50% | 50% | Technical, management and production content services for Real Madrid Media. |

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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 2021 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 2021 were prepared:

- By the directors, at the Board of Directors Meeting held on 23 February 2022.
- In accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, in conformity with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council.

Also, these Consolidated Financial Statements were prepared:

- Taking into account all the mandatory accounting principles and rules and measurement bases with a material effect on the consolidated financial statements, as well as the alternatives permitted by the relevant standards in this respect, and which are specified in these Consolidated Financial Statements.
- So that they present a fair image of the Group's consolidated equity and financial position as at 31 December 2021 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 2021 and 2020 (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).

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The Group's Consolidated Financial Statements and the Financial Statements of the Group companies for 2021 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 2021.

In accordance with corporate legislation, the figures for the previous year are presented for comparison purposes with each of the items in the Consolidated Statement of Financial Position, the Consolidated Statement of Profit or Loss, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity and the Consolidated Cash Flow Statement, in addition to the figures for 2021. 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 2021, except for those that have been amended due to the first-time application of IFRS.

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

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 related to the Benchmark Reform (Phase 2).

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

Deferral of the application of IFRS 9 until 2023.

Amendment to IFRS 16 Leases - Rent concessions (1 April 2021)

Amendment to extend the period to apply for the practical solution provided for in the IFRS 16 for COVID-19-related rent concessions.

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

b) Standards and interpretations that are not applicable in this financial year

Approved for use

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

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

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

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

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

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

Not approved for use

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

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

Amendment to IAS 1 - Disclosure of Accounting Policies (1 January 2023)

Amendments to enable entities to appropriately identify material accounting policy disclosures that should be disclosed in financial statements.

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Amendment to IAS 8 - Definition of Accounting Estimates (1 January 2023)

Amendments and clarifications on what is to be understood as a change in an accounting estimate.

Amendment to IAS 12 - Deferred taxes on assets and liabilities from single transactions (1 January 2023)

Clarifications on how entities should record deferred tax arising on transactions such as leases and decommissioning obligations.

Amendment to IFRS 17 Insurance Contracts - Initial Application of IFRS 17 and IFRS 9. Comparative Information (1 January 2023)

Amendments to IFRS 17 transition requirements for insurers applying IFRS 17 and IFRS 9 for the first time.

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

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

2.3. Responsibility for Information and Estimates Made

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

In preparing the Group's Consolidated Financial Statements for the financial year 2021, certain estimates and assumptions have been made based on the best information available on the facts analysed at the date of preparation. Events that take place in the future might make it necessary to change these estimates (upward or downward) in the coming years. Changes in accounting estimates would be applied prospectively in accordance with the requirements of IAS 8, recognising the effect of the change in estimates in the related Consolidated Statement of Profit or Loss.

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

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- 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

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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 profit of the Parent Company

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

| | |
|------------------------------|-----------------------|
| Basis of distribution | |
| Profit and loss (profit) | 156,783 |
| Total | <u>156,783</u> |
| Application | |
| To reserves | 156,783 |
| Total | <u>156,783</u> |

Restrictions on the distribution of dividends

The Parent Company is obliged to transfer 10% of the profit for the year to a legal reserve until this reserve reaches an amount at least equal to 20% of share capital. This reserve may not be distributed to shareholders until it has reached 20% of share capital. At the date of preparation of these financial statements, the legal reserve is fully constituted.

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

The Ordinary General Shareholders' Meeting held on 14 April resolved to distribute the result generated in 2020 in full to reserves.

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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 2021. 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.

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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 or Loss of the foreign companies included in consolidation are converted using the year-end exchange rate method which means:

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

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

4.3. Related parties

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

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

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

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

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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

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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. Audiovisual property rights

4.7.1. Property rights on external audiovisual production

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

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

The right is recognised on the date when the material is accepted for broadcasting pursuant to the contract or on the date that the audiovisual rights begin, if the latter is earlier. In the case of several rights associated with a single contract that are accepted during the same year but on different dates, the Company recognises the inclusion of the rights under the contract on the date on which the first right is accepted for broadcasting or on the date that rights begin, if the latter is earlier.

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

1. Films and “TV movies” (non-series)
 - 1.1. Contractual rights for 2 screenings:
 - First screening: 50% of acquisition cost.
 - Second screening: 50% of acquisition cost.
 - 1.2. Contractual rights for 3 or more screenings:
 - First screening: 50% of acquisition cost.
 - Second screening: 30% of acquisition cost.
 - Third screening: 20% of acquisition cost.
2. Other products (series)
 - Contractual rights for 2 or more screenings:
 - First screening: 50% of acquisition cost.
 - Second screening: 50% of acquisition cost.

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

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

4.7.2. In-house series production rights

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

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

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

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

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

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

- Series of less than 60 minutes.

First screening: 100% of the amortisable value.

- Series of 60 minutes or more

First screening: 90% of the amortisable value.

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

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

4.7.3. Distribution rights

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

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

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

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

4.7.4. Coproduction rights

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

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

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

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

4.7.5. Master copies and dubbing

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

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

4.7.6. Retransmission rights

The costs corresponding to sports broadcasting rights are accounted for at the cost stipulated in the contract under "Procurements" in the Consolidated Statement of Profit or Loss. They are recognised at the moment when each event is broadcast. Advance payments are recognised in Consolidated Statement of Financial Position under "Other Current Assets".

4.8. Business combinations and goodwill

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

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

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

Any contingent consideration transferred by the Group is recognised at the fair value on the date of acquisition. Subsequent changes in the fair value of contingent considerations classified as an asset or a liability shall be recognised with any

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resulting gain or loss recognised either in the Consolidated Statement of Profit or Loss or in other comprehensive income. Contingent consideration classified as equity is not revalued and its subsequent settlement is accounted for within Net Equity.

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

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

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

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

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

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

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

EQUITY METHOD

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

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

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

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

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

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

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

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

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

JOINT VENTURES

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

4.10. Financial assets

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

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

i) Classification

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

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

ii) Recognition and derecognition

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

iii) Valuation

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

iv) Debt instruments

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

v) 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).

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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 2021, the recoverable amount of the aforementioned units exceeds the carrying amount (see Note 9).

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4.11.2. Financial assets

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

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

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.

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4.15. Treasury shares

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

4.16. Financial liabilities

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

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

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 2021 and 2020 the derivatives are not material (see Notes 13.1 and 13.2).

The exchange rate derivatives available to the Group at 31 December 2021 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 2021, 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.

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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

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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 company 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.
- Megamedia Televisión, S.L.U.

During 2021, Megamedia Televisión, S.L.U. joined the tax consolidation group.

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.

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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

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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 2021 and 2020, and until the date of preparation of these Financial Statements, the Group did not have any share option plans in force.

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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.

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6. Property, plant and equipment

The balances and changes in the items comprising property, plant and equipment for the years ended 31 December 2021 and 31 December 2020 are as follows:

| | Balance at 31.12.19 | Additions | Disposals and others | Transfers | Balance at 31.12.20 | Additions | Disposals and others | Transfers | Balance at 31.12.21 |
|--|------------------------|-----------------|-------------------------|-----------|------------------------|----------------|-------------------------|--------------|------------------------|
| COST | | | | | | | | | |
| Land and natural resources | 14,970 | - | - | - | 14,970 | - | - | - | 14,970 |
| Buildings and other structures | 40,527 | 292 | - | 17 | 40,836 | 43 | - | - | 40,879 |
| Machinery, plant and tools | 106,318 | 1,128 | (4,199) | 1,129 | 104,376 | 1,325 | (2,615) | 1,171 | 104,257 |
| Furniture and fixtures | 4,894 | 136 | (100) | - | 4,930 | 67 | (38) | - | 4,959 |
| Computer hardware | 17,896 | 1,557 | (357) | 40 | 19,136 | 923 | (972) | 1,886 | 20,973 |
| Other items of property, plant and equipment | 581 | 53 | (35) | - | 599 | 36 | (35) | - | 600 |
| Property, plant and equipment under construction | 1,539 | 2,091 | - | (1,186) | 2,444 | 1,832 | - | (3,261) | 1,015 |
| Right of use | 2,714 | 1,681 | (2,239) | - | 2,156 | 270 | (510) | - | 1,916 |
| Total cost | 189,439 | 6,938 | (6,930) | - | 189,447 | 4,496 | (4,170) | (204) | 189,569 |
| ACCUMULATED DEPRECIATION | | | | | | | | | |
| Buildings and other structures | (29,466) | (819) | - | - | (30,285) | (803) | - | - | (31,088) |
| Machinery, plant and tools | (85,618) | (7,238) | 4,198 | - | (88,658) | (6,026) | 2,612 | - | (92,072) |
| Furniture and fixtures | (3,547) | (279) | 96 | - | (3,730) | (238) | 38 | - | (3,930) |
| Computer hardware | (14,063) | (1,811) | 355 | - | (15,519) | (1,811) | 966 | - | (16,364) |
| Other items of property, plant and equipment | (495) | (35) | 35 | - | (495) | (35) | 35 | - | (495) |
| Right of use | (878) | (910) | 908 | - | (880) | (646) | - | - | (1,526) |
| Total Depreciation | (134,067) | (11,092) | 5,592 | - | (139,567) | (9,559) | 3,651 | - | (145,475) |
| NET CARRYING AMOUNT | 55,372 | | (1,338) | | 49,880 | | (519) | | 44,094 |

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The additions in 2021 and 2020 were due mainly to the purchase of plant and other computer hardware acquired to be used in the Group's continuing operations.

The additions to property, plant and equipment in the course of 2021 and 2020 are mainly due to the purchase of plant.

In 2021, 1,387 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 (695 thousand euros in the financial year 2020).

Most of the disposals in 2021 and 2020 relate to the writing-off of fully depreciated assets no longer in use. In 2021 items of property, plant and equipment with an aggregate carrying amount of 519 thousand euros were disposed of, giving rise to a loss of the same amount (1,338 thousand euros in 2020).

The detail of the fully depreciated items of property, plant and equipment in use at 31 December 2021 and 2020 is as follows:

| | <u>31.12.2021</u> | <u>31.12.2020</u> |
|--|-----------------------|----------------------|
| Buildings | 14,602 | 14,460 |
| Computer hardware | 13,180 | 11,731 |
| Machinery plant and tools | 70,739 | 63,438 |
| Furniture | 2,690 | 2,335 |
| Other items of property, plant and equipment | 415 | 420 |
| Total | <u>101,626</u> | <u>92,384</u> |

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 2021 and 2020, the Group held no assets under financial leases.

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7. Intangible assets

The balances and changes for the years ended 31 December 2021 and 31 December 2020 of the items included under the intangible assets heading are as follows:

| | Balance at 31.12.19 | Additions | Disposals and others | Transfers | Balance at 31.12.20 | Additions | Disposals and others | Transfers | Balance at 31.12.21 |
|--|------------------------|-----------------|----------------------------|-----------|------------------------|-----------------|----------------------------|------------|------------------------|
| COST | | | | | | | | | |
| Cuatro signal broadcasting licence | 85,000 | - | - | - | 85,000 | - | - | - | 85,000 |
| Concessions, patents and trademarks | 163,863 | 2,043 | - | - | 165,906 | - | - | - | 165,906 |
| Computer software | 33,189 | 759 | (859) | 702 | 33,791 | 912 | (315) | 1,821 | 36,209 |
| Computer software under development | 273 | 1,114 | - | (702) | 685 | 1,598 | - | (1,617) | 666 |
| Total cost | 282,325 | 3,916 | (859) | - | 285,382 | 2,510 | (315) | 204 | 287,781 |
| ACCUMULATED AMORTISATION | | | | | | | | | |
| Concessions, patents and trademarks | (72,215) | (8,193) | - | - | (80,408) | (8,993) | 188 | - | (89,213) |
| Computer hardware | (27,702) | (2,735) | 859 | - | (29,578) | (2,731) | 315 | - | (31,994) |
| Total accumulated amortisation | (99,917) | (10,928) | 859 | - | (109,986) | (11,724) | 503 | - | (121,207) |
| Provisions | - | - | - | - | - | - | - | - | - |
| CARRYING AMOUNT | 182,408 | | - | | 175,396 | | 188 | | 166,574 |

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The additions to computer software under development in 2021 and 2020 were mainly due to the project for renovating the Group's video platform and website.

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

The disposals in 2021 and 2020 relate mainly to the withdrawal of fully depreciated and unused items. In 2021 intangible assets that were not fully amortised were derecognised, with a net carrying amount of 188 thousand euros. No disposals were recorded in the previous year.

93.9% of the net amount of "Concessions, patents and trademarks" relates to the Cuatro trademark.

At 31 December 2021 and 31 December 2020, the detail of the fully amortised intangible assets still in use was as follows:

| | 31.12.2021 | 31.12.2020 |
|-------------------------------------|-------------------|-------------------|
| Computer software | 27,384 | 25,961 |
| Concessions, patents and trademarks | 22 | 22 |
| Total | 27,406 | 25,983 |

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8. Audiovisual property rights

The balances and changes for the years ended 31 December 2021 and 31 December 2020 of the items included under the heading of audiovisual rights are as follows:

| | Balance at 31.12.19 | Additions | Disposals | Transfers Others | Balance at 31.12.20 | Additions | Disposals | Transfers Others | Balance at 31.12.21 |
|--|------------------------|------------------|------------------|---------------------|------------------------|------------------|-----------------|---------------------|------------------------|
| COST | | | | | | | | | |
| Rights on external productions | 345,000 | 53,910 | (127,744) | 562 | 271,728 | 59,368 | (88,386) | 1,195 | 243,905 |
| Master copies | 7 | - | (3) | - | 4 | - | - | - | 4 |
| Dubbing | 16,380 | 3,344 | (918) | - | 18,806 | 2,822 | (360) | - | 21,268 |
| Co-production rights | 212,723 | 1,554 | (2,122) | 25,668 | 237,823 | 398 | (2,064) | 15,823 | 251,980 |
| In-house production rights | 1,545,178 | 23,521 | - | 18 | 1,568,717 | 35,460 | - | 758 | 1,604,935 |
| Distribution rights | 29,477 | - | (207) | (5,540) | 23,730 | - | (2,226) | (11,966) | 9,538 |
| Other ancillary work | 749 | - | - | - | 749 | - | - | - | 749 |
| Rights, options, script development | 1,812 | 436 | (100) | (488) | 1,660 | (127) | (198) | (110) | 1,225 |
| Start-up costs | 158 | - | - | - | 158 | - | - | - | 158 |
| Advances | 21,943 | 4,993 | (280) | (20,220) | 6,436 | 14,505 | - | (5,700) | 15,241 |
| Total Cost | 2,173,427 | 87,758 | (131,374) | - | 2,129,811 | 112,426 | (93,234) | - | 2,149,003 |
| ACCUMULATED AMORTISATION | | | | | | | | | |
| Rights on outside productions | (241,346) | (79,126) | 127,743 | - | (192,729) | (71,611) | 88,386 | - | (175,954) |
| Master copies | (7) | - | 3 | - | (4) | - | - | - | (4) |
| Dubbing | (13,689) | (2,731) | 918 | - | (15,502) | (3,379) | 360 | - | (18,521) |
| Co-production rights | (205,908) | (11,617) | - | (5,540) | (223,065) | (3,948) | - | (11,966) | (238,979) |
| In-house production rights | (1,487,623) | (37,000) | - | - | (1,524,623) | (29,485) | - | - | (1,554,108) |
| Distribution rights | (29,475) | - | 207 | 5,540 | (23,728) | - | 2,226 | 11,966 | (9,536) |
| Other ancillary work | (748) | - | - | - | (748) | - | - | - | (748) |
| Start-up costs | (156) | - | - | - | (156) | - | - | - | (156) |
| Total accumulated amortisation | (1,978,952) | (130,474) | 128,871 | - | (1,980,555) | (108,423) | 90,972 | - | (1,998,006) |
| Provisions | (23,670) | (15,581) | 19,351 | - | (19,900) | (750) | 11,998 | - | (8,652) |
| Total audiovisual property rights | 170,805 | | 16,848 | | 129,356 | | 9,736 | | 142,345 |

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At 31 December 2021 and 31 December 2020, the detail of the fully amortised audiovisual property rights still in use was as follows:

| | 31.12.2021 | 31.12.2020 |
|----------------------------|-------------------|-------------------|
| Master copies | 4 | 4 |
| Dubbing | 16,250 | 12,965 |
| Co-production rights | 234,136 | 218,838 |
| In-house production rights | 1,554,107 | 1,524,623 |
| Distribution rights | 12,785 | 26,977 |
| Other ancillary work | 749 | 749 |
| Start-up costs | 157 | 157 |
| Total | 1,818,188 | 1,784,313 |

Of the total amount recognised under "Audiovisual Property Rights" classified under non-current assets in the Consolidated Statement of Financial Position as at 31 December 2021, over the coming twelve months it is estimated that approximately 68% will be consumed (72% in 2020).

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 2021 and 31 December 2020, the provision made in the Consolidated Statement of Profit or Loss amounted to 750 thousand euros and 15,581 thousand euros, respectively.

At 2021 year-end there were firm audiovisual property right purchase commitments commencing on 1 January 2022 totalling 46,861 thousand US dollars and 31,954 thousand euros. The commitments from the previous year amounted to 24,490 thousand US dollars and 27,904 thousand euros.

Of these firm commitments for the purchase of audiovisual property rights, advances have been paid which, at 31 December 2021, amounted to 139 thousand euros, with no payments in US dollars (USD). In 2020, 1,243 thousand euros were disbursed and there were no disbursements in US dollars (USD). Furthermore, advances for audiovisual property rights amounting to 92 thousand euros have been recorded.

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At year-end there were co-production right commitments commencing on 1 January 2022 amounting to 57,602 thousand euros. The commitments from the previous year amounted to 50,784 thousand.

Of these co-production rights commitments, advances were paid which, at 31 December 2021, amounted to a total of 15,102 thousand euros (4,546 thousand euros at 31 December 2020). Also, advances for co-production rights amounting to 14,413 thousand euros have been recorded.

There were no firm distribution right purchase commitments commencing on 1 January 2022. At 31 December 2020, neither were there firm distribution right purchase commitments.

Advances also include advances for fiction series, for which no amount has been disbursed as at 31 December 2021 (647 thousand euros as at 31 December 2020).

9. Goodwill and business combinations

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

The remaining amount under this heading relates almost entirely to goodwill originating from the majority shareholdings acquired in previous years in the companies "El Desmarque Portal Deportivo, S.L." and "Aninpro Creative, S.L.". At 31 December 2021, none of this goodwill shows any signs of impairment given the good operating performance of the companies acquired.

Impairment tests for goodwill and intangible assets with indefinite useful lives

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

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

In view of the appropriate impairment test, the Group has used, on the one hand, its market value, and on the other, its own projections of the evolution of the Free-to-Air Television Business, discounting the expected future cash flows. In relation to the market value, the market capitalisation of the Parent Company at December 31, 2021 reached approximately 1,287,113 thousand euros, a figure that is higher than the accounting value of the identified cash generating unit, and therefore there is no impairment of the Goodwill or intangible assets with an indefinite useful life .

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

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

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

The projections cover the period until 2025 and for the flows not contemplated therein, the perpetual income has been estimated using increases 0% in line with those used by the sector. On the other hand, the estimated cash flows are discounted at a rate in-line with the current market valuations in terms of the risk-free rate and the specific situation of the sector. In this sense, the discount rate after taxes used ranges from 7.5% to 8.5%, in line with those used by the sector.

Sensitivity to changes in hypotheses

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

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10. Investments accounted for using the equity method

The detail of the amount and the variations in the items composing this heading in 2021 and 2020 are as follows:

| | Investments accounted for using the equity method |
|------------------------------------|--|
| Balance at 31 December 2019 | 8,613 |
| Increases | 1 |
| Decreases | 138 |
| Share of results of associates | 3,029 |
| Dividends received (Note 23.1) | (4,062) |
| Balance at 31 December 2020 | 7,719 |
| Increases | 1 |
| Decreases | - |
| Share of results of associates | 3,001 |
| Dividends received (Note 23.1) | (1,549) |
| Balance at 31 December 2021 | 9,172 |

The dividends for 2021 relate to the subsidiaries, La Fábrica de la Tele, S.L., Bulldog TV Spain, S.L. and Unicorn Content, S.L. in 2020 they came from the same companies.

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

| Company | Investments accounted for using the equity method | | Results of investments accounted for using the equity method | |
|-----------------------------------|---|--------------|--|--------------|
| | 2021 | 2020 | 2021 | 2020 |
| Producciones Mandarina, S.L. | 1,881 | 1,967 | (84) | (37) |
| La Fábrica de la Tele, S.L. | 3,037 | 2,341 | 1,556 | 1,219 |
| Alea Media, S.A. | 298 | 190 | 108 | 190 |
| Adtech Ventures, S.p.A | 111 | 147 | (36) | (66) |
| Bulldog Tv Spain, S.L. | 1,410 | 1,526 | 333 | 854 |
| Alma Productora Audiovisual, S.L. | 494 | 283 | 210 | 41 |
| Pagoeta Media, S.L.U. | (6) | (10) | 3 | (10) |
| Alea La Maleta, S.L. | - | - | - | - |
| Unicorn Content, S.L. | 1,947 | 1,275 | 912 | 977 |
| Fénix Media Audiovisual, S.L. | - | - | (1) | (139) |
| Campanilla Films, S.L. | - | - | - | - |
| Total | 9,172 | 7,719 | 3,001 | 3,029 |

The main accounting figures for the companies consolidated under the equity method for 2021 and 2020 are shown here:

| 2021 | Assets | Equity | Liabilities | Revenues | Profit/(Loss) |
|-----------------------------------|----------------------|--------|-------------|----------|---------------|
| | (Thousands of euros) | | | | |
| Producciones Mandarina, S.L. | 6,564 | 6,273 | 291 | 2,105 | (283) |
| La Fábrica de la Tele, S.L. | 15,701 | 10,121 | 5,580 | 32,992 | 5,181 |
| Alea Media, S.A. | 4,426 | (911) | 5,337 | 23,882 | 345 |
| Pagoeta Media, S.L.U. | 560 | (13) | 573 | (5) | (13) |
| Adtech Ventures, S.p.A | 266 | 261 | 5 | - | (73) |
| Alma Productora Audiovisual, S.L. | 2,451 | 1,645 | 806 | 5,176 | 719 |
| Alea La Maleta, S.L. | 4 | 4 | - | - | - |
| Unicorn Content, S.L. | 10,569 | 6,490 | 4,079 | 30,549 | 3,039 |
| Bulldog Tv Spain, S.L. | 5,144 | 4,699 | 445 | 15,961 | 1,111 |
| Fénix Media Audiovisual, S.L. | 695 | (347) | 1,042 | 1,308 | (2) |
| Campanilla Films, S.L. | 1,724 | 2 | 1,722 | 5,014 | (1) |

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

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.

2021

In June 2021, the Group sold its stake in the company Melodía Producciones, S.L.

2020

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

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

11. Non-current financial assets

The "Non-Current Financial Assets" relate to:

| | <u>31.12.2021</u> | <u>31.12.2020</u> |
|--------------------------------------|-------------------|-------------------|
| Long -term guarantees | 120 | 116 |
| Long-term investments | 432,446 | 348,144 |
| Long-term loans to related companies | - | 685 |
| Other financial assets | 9,313 | 10,768 |
| Other | - | 40 |
| Total | 441,879 | 359,753 |

(Note 13.2)

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Long-term investments

The investment in ProSiebenSat.1 Media SE is treated as an Equity Instrument over which neither control nor significant influence is exercised and changes in fair value are recognised in equity adjusted for tax effects.

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

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

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

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

Other financial assets

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

12. Other current assets

This heading can be broken down as follows:

| | <u>31.12.2021</u> | <u>31.12.2020</u> |
|------------------|---------------------|----------------------|
| Prepaid expenses | 6,201 | 27,379 |
| Prepaid fees | 35 | 36 |
| Total | <u>6,236</u> | <u>27,415</u> |

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

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13. Financial instruments

13.1. Derivative financial instruments

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

The following is a breakdown, by expiry dates, of the notional values of the financial derivatives held by the Group at 31 December 2021 and 2020:

Derivatives (current assets)

| | <u>2021</u> | Amount in thousands of USD | | Fair value (Note 13.2) |
|--|---------------|--|------------|---------------------------|
| | | Notional amount/ Maturity within 1 year | US dollars | |
| Unmatured foreign currency purchases: | | | | |
| Purchases of dollars against euros | 12,121 | 14,421 | 1.1326 | 545 |
| Sales of dollars against euros | - | - | - | - |
| Net | 12,121 | 14,421 | | 545 |

| | <u>2020</u> | Amount in thousands of USD | | Fair value (Note 13.2) |
|--|--------------|--|------------|---------------------------|
| | | Notional amount/ Maturity within 1 year | US dollars | |
| Unmatured foreign currency purchases: | | | | |
| Purchases of dollars against euros | 6,480 | 7,319 | 1.2271 | (524) |
| Sales of dollars against euros | - | - | - | - |
| Net | 6,209 | 7,319 | | (524) |

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

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Derivatives (current liabilities)

| | <u>2021</u> | Amount in thousands of USD | | Fair value (Note 13.2) |
|--|--------------|--|------------|---------------------------|
| | | Notional amount/ Maturity within 1 year | US dollars | |
| Unmatured foreign currency purchases: | | | | |
| Purchases of dollars against euros | - | - | - | - |
| Sales of dollars against euros | 1,251 | 1,434 | 1.1326 | (3) |
| Net | 1,251 | 1,434 | | (3) |

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

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

Derivatives - Non-Current Asset

As at 31 December 2021:

| | Classification | Initial Value | Valuation update | Cancelation | Tax effect | Fair Value Non-current asset |
|---|-----------------|---------------|------------------|-------------|------------|---------------------------------|
| Derivatives on financial investments | Hedge on shares | 30,428 | 2,639 | (33,067) | (247) | - |
| Derivatives on financial investments | Hedge on shares | 5,237 | (3,143) | - | 1,275 | 2,094 |

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As at 31 December 2020:

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

Derivatives - Non-Current Liabilities

As at 31 December 2021:

| | Classification | Initial Value | Valuation update | Cancelation | Tax effect | Fair Value Non-current asset |
|---|-----------------|---------------|------------------|-------------|------------|------------------------------|
| Derivatives on financial investments | Hedge on shares | 23,589 | 30 | (23,619) | (288) | - |
| Derivatives on financial investments | Hedge on shares | 70,667 | (34,572) | - | (17,038) | 36,095 |

As at 31 December 2020:

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

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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 (Note 11) | | |
|--------------------------------------|--------------------|----------------|------------------------------|----------------|-----------------|----------------|----------------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | |
| <u>Non-current financial assets</u> | | | | | | | |
| Loans and Receivables | - | - | 120 | 841 | 120 | 841 | |
| Assets available for sale | | | | | | | |
| Measured at fair value | (Note 11) | 439,665 | 323,247 | - | - | 439,665 | 323,247 |
| Derivatives | (Note 11) | - | - | 2,094 | 35,665 | 2,094 | 35,665 |
| TOTAL | | 439,665 | 323,247 | 2,214 | 36,506 | 441,879 | 359,753 |
| <u>Current financial liabilities</u> | | | | | | | |
| Loans and Receivables | | - | - | 239,894 | 257,573 | 239,894 | 257,573 |
| Derivatives | | - | - | 545 | (524) | 545 | (524) |
| TOTAL | | - | - | 240,439 | 257,049 | 240,439 | 257,049 |
| TOTAL | | 439,665 | 323,247 | 242,653 | 293,555 | 682,318 | 616,802 |

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

| | | 2021 | 2020 |
|--------------------------------|-----------|----------------|----------------|
| Non-current financial assets | (Note 11) | 441,879 | 359,753 |
| Accounts receivable | | 235,826 | 252,782 |
| Other current financial assets | | 4,613 | 4,267 |
| | | 682,318 | 616,802 |

The non-current financial assets relate mainly to the acquisition of 13.18% 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 239,891 thousand euros at 31 December 2021 (259,073 thousand euros at 31 December 2020).

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

| 2021 | Balance | Maturities | | | |
|--|----------------|-------------------|--------------|--------------|--------------|
| | | <3 months | <6 months | <12 months | <18 months |
| Trade receivables for sales and services | 233,990 | 217,745 | 5,077 | 6,418 | 4,750 |
| Sundry accounts receivable | 1,156 | 1,156 | - | - | - |
| Other current financial assets | 4,613 | 4,613 | - | - | - |
| Total | 239,759 | 223,514 | 5,077 | 6,418 | 4,750 |

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

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 | |
|---|------------------------|----------------|---|----------------|----------------|----------------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| <u>Non-current financial liabilities</u> | | | | | | |
| Trade and other payables | 24,375 | 202,506 | 13,134 | 14,477 | 37,509 | 216,983 |
| Derivatives | (Note 11) | - | 36,095 | 94,257 | 36,095 | 94,257 |
| <u>TOTAL</u> | 24,375 | 202,506 | 49,229 | 108,734 | 73,604 | 311,240 |
| <u>Current financial liabilities</u> | | | | | | |
| Trade and other payables | 40 | 40 | 184,883 | 168,136 | 184,923 | 168,176 |
| Derivatives | - | - | 13,579 | 83 | 13,579 | 83 |
| <u>TOTAL</u> | 40 | 40 | 198,462 | 168,219 | 198,502 | 168,259 |
| TOTAL | 24,415 | 202,546 | 247,691 | 276,953 | 272,106 | 479,499 |

At 31 December 2021, there were credit facilities amounting to 260,000 thousand euros (300,000 thousand euros at December 2020) with an interest rate of EURIBOR plus a market spread in line with the Group's solvency.

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The maturities of these credit lines amounting to 260,000 thousand are distributed between March 2022 and October 2022 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:

| | <u>2021</u> | <u>2020</u> |
|---|-----------------------|-----------------------|
| Other non-current liabilities | 13,134 | 14,477 |
| Non-current bank borrowings and other liabilities | 60,470 | 296,763 |
| Current payables to related parties (Note 23.1) | 18,824 | 21,461 |
| Payables for purchases and services | 88,142 | 92,466 |
| Payables for purchases of audiovisual property rights | 36,009 | 32,771 |
| Bank borrowings | 1,336 | 1,075 |
| Payables for non-current asset acquisitions | 1,159 | 1,797 |
| Remuneration payable | 19,772 | 14,338 |
| Other payables | 33,260 | 4,351 |
| | <u>272,106</u> | <u>479,499</u> |

The item "Non-current bank borrowings and other liabilities" include the total amount of financial loans related to the acquisition of the investment in Prosieben Sat1 (see Note 11), which at 31 December 2021 amounted to a total of 24,374 thousand euros (202,496 thousand euros at 31 December 2020), as well as the fair value of the liability position of the non-current derivatives entered into for a combined amount of 36,095 thousand euros at 31 December 2021 (94,257 thousand euros at 31 December 2020). The maturity established in this transaction is fixed in the long term.

During 2021, these operations were partially cancelled in advance with total payments of 197,224 thousand euros.

Furthermore, the pending amount of an early cancelation totalling 33,246 thousand euros has been transferred to current and settled in January 2022, which is recorded at 31.12.2021 in "Other payables" in the above table.

"Other non-current liabilities" mainly includes the estimated value of a put option held by the minority shareholders and exercisable in 2023 on 20% of the equity of El Desmarque Portal Deportivo, S.L., the value of which at 31 December 2021 is 3,281 thousand euros, and also, the estimated value of put options held by the minority shareholders and exercisable in the long term on 49% of Aninpro Creative, S.L., amounting to 7,724 thousand.

There are no differences between the fair values and the carrying amounts of the financial assets and liabilities at 31 December 2021 and 2020.

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

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| 2021 | Balance | Maturities | | |
|---|----------------|-------------------|--------------|--------------|
| | | 3 months | 6 months | 12 months |
| Payables for purchases and services | 88,142 | 86,786 | 1,356 | - |
| Payables for purchases of audiovisual property rights | 36,009 | 34,536 | 454 | 1,019 |
| Current Bank borrowings | 1,336 | 1,336 | - | - |
| Payables for non-current asset acquisitions | 1,159 | 1,150 | 9 | - |
| Total | 126,646 | 123,808 | 1,819 | 1,019 |

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

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

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13.3. Fair value measurement

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

Fair value hierarchy of the Group's assets at 31 December 2021 and 2020:

| Thousands of euros | Measurement of fair value used | | | | |
|--|--------------------------------|----------------|--|---|---|
| | Measurement date | Total | List price in active markets (Level 1) | Observable significant inputs (Level 2) | Unobservable significant inputs (Level 3) |
| Assets measured at fair value: | | | | | |
| Financial assets available for sale | (Notes 11 & 13.2) | | | | |
| Equity instruments | 31-dic-21 | 430,352 | 430,352 | - | - |
| Derivative equity instrument | 31-dic-21 | 2,094 | 2,094 | - | - |
| Various industries with internet platform | 31-dic-21 | 9,313 | 1,814 | - | 7,499 |

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

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

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

| | 2021 | 2020 |
|--|---------|---------|
| (Days) | | |
| Average period of payment to suppliers | 74 | 86 |
| Ratio of transactions settled | 78 | 88 |
| Ratio of transactions not yet settled | 47 | 74 |
| (Thousands of euros) | | |
| Total payments made | 417,835 | 404,720 |
| Total payments outstanding | 64,862 | 66,683 |

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

13.5. Capital management policy

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

13.6. Risk management policy

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

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

13.6.1. Management of credit risk

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

The maximum credit risk exposure at 31 December 2021 and 2020 is as follows:

| | | 2021 Thousands of euros | 2020 Thousands of euros |
|--|-------------|-------------------------------|-------------------------------|
| Non-current financial assets | (Note 11) | 441,879 | 359,753 |
| Trade and other receivables | | 254,776 | 262,738 |
| Trade receivables from related parties | (Note 23.1) | 626 | 313 |
| Current financial assets | (Note 13.2) | 4,613 | 4,267 |
| Cash and cash equivalents | (Note 14) | 288,993 | 321,181 |
| | | 990,887 | 948,252 |

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

13.6.2. Operating activities

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

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

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

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

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

13.6.3. Investing activities

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

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

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

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13.6.4. Management of liquidity risk

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

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

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

- Cash surpluses may only be invested in certain types of assets (see the previous section on credit risk-investing activities) to guarantee liquidity.
- The Group has taken out credit lines for amounts that guarantee its ability to meet its operating needs and to fund new investment projects in the short term. At the end of 2021 the credit facilities available amounted to 260 million euros (31 December 2020: 300 million euros). 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 2021 and 2020.

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 2021 as a reference (December 2020: +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 |
|----------|-------------------------------|-------------------|-----------------|---------|-----------------|---------|-----------------|
| 31-12-21 | -0.583 | 290,719 | (1,695) | -0.083% | -241 | -0.783% | (2,276) |

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

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

At December 31, 2021 the share reference price was 14.01 euros (13.76 euros at December 31, 2020).

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

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

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

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

By applying a symmetrical percentage variation to the year-end exchange rate, equal to the implied volatility at one year of the currency in question published by Reuters, i.e., 5.85% for 2021 and 6.39% for 2020.

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.

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Analysis of asset derivatives in foreign currency

| 31/12/2021 | | | 31/12/2020 | | |
|------------------------------------|------------|--------------------|--------------|------------|--------------------|
| <u>USD K</u> | <u>XRT</u> | <u>Differences</u> | <u>USD K</u> | <u>XRT</u> | <u>Differences</u> |
| 14,421 | 1.1326 | 545 | 7,319 | 1.2271 | (524) |
| <u>Sensitivity analysis</u> | | | | | |
| 14,421 | 1.0658 | 1,337 | 7,319 | 1.1487 | (117) |
| 14,421 | 1.1994 | (159) | 7,319 | 1.3055 | (881) |

Analysis of liability derivatives in foreign currency

| 31/12/2021 | | | 31/12/2020 | | |
|------------------------------------|------------|--------------------|--------------|------------|--------------------|
| <u>USD K</u> | <u>XRT</u> | <u>Differences</u> | <u>USD K</u> | <u>XRT</u> | <u>Differences</u> |
| 1,434 | 1.1326 | (3) | 1,250 | 1.2271 | (83) |
| <u>Sensitivity analysis</u> | | | | | |
| 1,434 | 1.0658 | (81) | 1,250 | 1.1487 | (152) |
| 1,434 | 1.1994 | 67 | 1,250 | 1.3055 | (22) |

Analysis of the total payable to suppliers in foreign currency

| 31/12/2021 | | | 31/12/2020 | | |
|------------------------------------|------------|--------------------|--------------|------------|--------------------|
| <u>USD K</u> | <u>XRT</u> | <u>Differences</u> | <u>USD K</u> | <u>XRT</u> | <u>Differences</u> |
| 14,521 | 1.1326 | (603) | 7,737 | 1.2271 | 624 |
| <u>Sensitivity analysis</u> | | | | | |
| 14,521 | 1.0658 | (1,407) | 7,737 | 1.1487 | 194 |
| 14,521 | 1.1994 | 111 | 7,737 | 1.3055 | 1,003 |

Analysis of total trade receivables in foreign currency:

| 31/12/2021 | | | 31/12/2020 | | |
|------------------------------------|------------|--------------------|--------------|------------|--------------------|
| <u>USD K</u> | <u>XRT</u> | <u>Differences</u> | <u>USD K</u> | <u>XRT</u> | <u>Differences</u> |
| 1,434 | 1.1326 | - | 1,250 | 1.2271 | (5) |
| <u>Sensitivity analysis</u> | | | | | |
| 1,434 | 1.0658 | 79 | 1,250 | 1.1487 | 65 |
| 1,434 | 1.1994 | (71) | 1,250 | 1.3055 | (66) |

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14. Cash and cash equivalents

The detail of “Cash and Cash Equivalents” is as follows:

| | <u>31.12.2021</u> | <u>31.12.2020</u> |
|---------------------------|-------------------|-------------------|
| Cash on hand and at banks | 288,993 | 321,181 |
| Total | 288,993 | 321,181 |

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

15. Equity

15.1. Share capital

The share capital is set at 156,583 thousand euros, represented by 313,166,144 shares of 0.5 euros par value each (163,718 thousand euros represented by 327,435,216 shares of 0.5 euros par value each in December 2020). In the financial year 2021, 14,269,072 treasury shares were amortised, resulting in a share capital reduction of 7,134,536 euros.

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

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

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

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

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

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15.2. Share premium

The Parent Company's share premium amounted to 226,567 thousand euros at 31 December 2021 (313,234 thousand euros at 31 December 2020). In 2021, the share premium was reduced by 86,667 thousand euros as a result of the aforementioned capital reduction.

15.3. Other reserves

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

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

The Parent Company's Legal Reserve, which has reached the stipulated level and is presented under "Other Reserves" in the accompanying Consolidated Statement of Financial Position, amounted to 31,317 thousand euros at 31 December 2021 (32,744 thousand euros at 31 December 2020).

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

During 2021, the Parent Company of the Group has not distributed dividends.

The Annual General Meeting of 14 April 2021 resolved to distribute the Parent Company's profit for 2020 as follows:

| | |
|------------------------------|-----------------------|
| Basis of distribution | |
| Profit and loss (profit) | <u>142,506</u> |
| Total | <u>142,506</u> |
| Distribution | |
| Ordinary dividend | - |
| To reserves | <u>142,506</u> |
| Total | <u>142,506</u> |

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15.5. Treasury shares

The changes in “Treasury Shares” were as follows:

| | 2021 | | 2020 | |
|-----------------------------|-------------------|---------------|-------------------|---------------|
| | Number of shares | Amount (*) | Number of shares | Amount (*) |
| At beginning of year | 14,269,073 | 94,038 | 14,269,073 | 94,554 |
| Increases | 145,780 | 723 | 163,985 | 566 |
| Decreases | (14,414,851) | (94,761) | (163,985) | (1,082) |
| At year end | 2 | - | 14,269,073 | 94,038 |

(*) Thousands of euros

15.6. Non-controlling interests

The detail, by company, of “Non-Controlling Interests” in the Consolidated Statement of Financial Position as at 31 December 2021 and 31 December 2020 is as follows:

| | 2021 | | | 2020 | | |
|---|---------------------------|---|--|---------------------------|---|--|
| | Non-controlling interests | Sep. profit/loss attrib. to non-controlling interests | Group profit/loss attrib. to non-controlling interests | Non-controlling interests | Sep. profit/loss attrib. to non-controlling interests | Group profit/loss attrib. to non-controlling interests |
| Megamedia Televisión, S.L. (1) | - | - | - | - | 499 | - |
| Supersport Televisión, S.L. (2) | 1,077 | 880 | - | 632 | 797 | - |
| El Desmarque Portal Deportivo, S.L. (3) | 717 | 493 | - | 1,199 | 749 | - |
| Aninpro Creative, S.L. (4) | 533 | 425 | - | 441 | 221 | - |
| Total | 2,327 | 1,798 | - | 2,272 | 2,266 | - |

(1) 65% owned by Producción y Distribución de Contenidos Audiovisuales Mediterráneo, S.L.U. in 2020. In 2021 100%.

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

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

(4) 51% owned by Publiespaña, S.L.U.

15.7 Value adjustments

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

The amount of value adjustments for 2021 shows an decrease in value of 25,380 thousand euros (during 2020 it showed an increase in value of 27,489 thousand euros).

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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 2021 and 31 December 2020 were as follows:

| <u>2021</u> | Balance at 31.12.20 | Charge for the year | Amount used | Amount reversed | Transfer | Balance at 31.12.21 |
|--|----------------------------|----------------------------|--------------------|------------------------|-----------------|----------------------------|
| Provisions for contingencies and charges | 12,608 | 6,274 | (3,359) | (2,045) | (659) | 12,819 |

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

At 31 December 2021 and 2020, 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.

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Contingencies

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

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

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

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 23-4-18 on the basis of the same arguments it had already used in its ruling of 8 January 2013 (Ordinary Procedure 474/2011), cited above.

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

On 14 November 2019, Mediaset España filed an appeal for protection (Recurso de Amparo) against the decision of 12 May 2016, as well as against the aforementioned decisions of the National Court on 23 April 2018 and the Supreme Court on 30 September 2019, for having seriously infringed Mediaset España's procedural guarantees. This appeal was dismissed in its decision on 16 March 2021.

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

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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.

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

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

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

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

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

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

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

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

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

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

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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.

PROCEDURE RELATING TO THE DISCIPLINARY PROCEEDINGS CONCERNING THE ALLEGED INFRINGEMENT BY ATRESMEDIA AND MEDIASET OF ART. 1 OF THE ANTI-TRUST LAW AND ART. 101 OF THE TREATY ON THE FUNCTIONING OF THE EUROPEAN UNION.

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

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

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

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

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

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

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

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

On 13 January 2020, within the period established by law, Mediaset España filed a contentious-administrative appeal before the National Court (Audiencia Nacional) against the aforementioned decision and requested its immediate suspension, both in relation to the order to halt the conduct sanctioned and to the payment of the fine imposed.

By Order dated 4 September 2020, the Audiencia Nacional agreed to suspend the payment of the sanction imposed as a precautionary measure, but not the order to cease the conduct sanctioned. For that reason, Mediaset España appealed against that order, which was dismissed by an order dated 17 November 2020, which in turn was appealed in cassation before the Supreme Court dismissed it by a Court Order dated 19 May 2021.

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

The serious defects noted, together with the solid factual, legal and economic grounds provided, which are supported by reports from independent experts make it possible to trust that the decision will be annulled in court. Therefore, the Consolidated 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 rejected Mediaset's claim regarding the ownership of the Pasapalabra trademark, it considered that, given that the title of the format and the trademark fall under the same name (Pasapalabra), ITV could not duplicate its compensation by adding the compensation from the procedure in the Commercial Court No. 6 of Madrid (Procedure 1181/10), mentioned above, to that resulting from the procedure in the Alicante Trademark Court. For this reason, two important points of the appeal were annulled in the judgement:

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- It completely annuls the order for compensation for the entire period from August 3, 2009 (date ITV applied for the trademark) to February 1, 2016 (date when registration of the trademark was granted), on the ground that the "reasonable compensation" to which ITV would be entitled has already been satisfied by the compensation established for that same period in the proceedings before the Madrid Court.

- And, in relation to the compensation that would correspond to the period between February 2, 2016 and the cessation of broadcasting the Pasapalabra program, it ordered that the resulting amount be reduced by the amount which, for the commercialisation of the format during said period, must be paid as compensation in the enforcement procedure in the Madrid Court.

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

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

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

17. Short-term provisions

The details included in this concept for 2021 and 2020 are as follows:

| | Balance at 31.12.20 | Charge for the year | Amount used | Amount reversed | Transfer | Balance at 31.12.21 |
|--|----------------------------|----------------------------|--------------------|------------------------|-----------------|----------------------------|
| Provisions, rebates, responsibilities and others | 38,533 | 32,732 | (26,346) | - | 10 | 44,929 |
| | 38,533 | 32,732 | (26,346) | - | 10 | 44,929 |

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

Provisions for responsibilities, read together with Note 16.

The major part of this amount corresponds to the provision for rebates at year-end.

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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.

The Group will have the following items and years open to inspection:

| Item/s | Periods |
|--|--------------|
| Income tax | 2017 to 2020 |
| Value added tax | 2017 to 2021 |
| Withholding taxes on non-residents | 2017 to 2021 |
| Annual declaration of transactions | 2017 |
| Withholdings/Payments on account/Professionals | 2017 to 2021 |
| Intra-community Transactions Tax declaration | 2017 to 2021 |

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

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18.3. Receivables and payables with the Public Administration

The balance of receivables and payables with the Public Administrations at 31 December 2021 and 2020 is as follows:

| | Balance at 31.12.21 | Balance at 31.12.20 |
|--|--------------------------------|--------------------------------|
| Deferred tax assets (Note 18.5) | 49,627 | 79,197 |
| Current tax assets | 18,579 | 4,280 |
| VAT | 137 | 5,968 |
| Other tax receivables | 860 | 21 |
| Tax receivables | 997 | 5,989 |

| | Balance at 31.12.21 | Balance at 31.12.20 |
|---|--------------------------------|--------------------------------|
| Deferred tax liabilities (Note 18.5) | 58,886 | 49,551 |
| VAT | 13,418 | 14,824 |
| Personal Income tax | 4,076 | 3,457 |
| Accrued social security taxes payable | 1,970 | 2,040 |
| Other payables to public authorities | 6,857 | 2,715 |
| Tax payables | 26,321 | 23,036 |

18.4. Income tax expense

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

| | 2021 | 2020 |
|--|---------------|---------------|
| Consolidated statement of profit or loss | | |
| Current Income tax | | |
| Income tax expense | 26,716 | 33,839 |
| Deferred income tax | | |
| Relating to increases and decreases in temporary differences | 21,712 | 16,545 |
| | 48,428 | 50,384 |

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| | <u>2021</u> | <u>2020</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 | (17,192) | 14,685 |
| -Tax rate adjustment | - | - |
| Deferred tax directly charged to other comprehensive income | <u>(17,192)</u> | <u>14,685</u> |
| | <u>2021</u> | <u>2020</u> |
| Accounting profit before tax | 231,257 | 231,381 |
| Tax rate (25%) | 57,814 | 57,845 |
| Permanent differences | (7,155) | (1,245) |
| Temporary differences | 2,992 | (5,648) |
| Tax credits and adjustments to prior years' income tax | <u>(5,223)</u> | <u>(568)</u> |
| | <u>48,428</u> | <u>50,384</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>2021</u> | | <u>2020</u> | |
|---|-----------------------------|--------|-----------------------------|--------|
| | Statement of profit or loss | Equity | Statement of profit or loss | Equity |
| Consolidated accounting profit before tax | 231,257 | - | 231,381 | - |
| Changes in the scope of consolidation (1) | (12,765) | - | 4,089 | - |
| Permanent differences | (28,620) | - | (4,979) | - |
| Temporary differences | 11,972 | - | (22,590) | - |
| Taxable profit | <u>201,844</u> | - | <u>207,901</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>2021</u> |
|------------------------------|-----------------|
| Taxable profit | 201,844 |
| Gross tax payable (25%) | 50,461 |
| Offset of tax losses | (957) |
| Tax credits and tax relief | (24,123) |
| Tax withholdings | <u>(43,960)</u> |
| Income tax refundable | <u>(18,579)</u> |

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

The detail of the income tax refundable is as follows:

| | <u>2021</u> | <u>2020</u> |
|----------------------------|----------------------|---------------------|
| 2020 income tax refundable | - | 4,280 |
| 2021 income tax refundable | 18,579 | - |
| Total (Note 18.3) | <u>18,579</u> | <u>4,280</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>2021</u> | Balance at 31.12.20 | Statement of profit or loss | | Equity | Balance at 31.12.21 |
|---|----------------------|-----------------------------|------------------------|------------------------|----------------------|
| | | Increases | Decreases | | |
| Deferred tax assets arising from: | | | | | |
| Provision for litigation | 492 | 80 | - | - | 572 |
| Limit on the deductibility of depreciation and amortisation | 787 | - | (207) | - | 580 |
| Other | 39,503 | 5,522 | (2,565) | (17,333) | 25,127 |
| Tax credit carryforwards | 37,463 | - | (14,583) | - | 22,880 |
| Tax loss carryforwards | 952 | - | (631) | 147 | 468 |
| Total deferred tax assets | <u>79,197</u> | <u>5,602</u> | <u>(17,986)</u> | <u>(17,186)</u> | <u>49,627</u> |

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

| | Balance at 31.12.20 | Statement of profit or loss | | Equity | Balance at 31.12.21 |
|---|---------------------|-----------------------------|-----------|----------|---------------------|
| | | Increases | Decreases | | |
| 2021 | | | | | |
| Deferred tax liabilities arising from: | | | | | |
| Intangible assets available for sale | 46,623 | 9,325 | - | - | 55,948 |
| Other | 2,928 | 4 | - | 6 | 2,938 |
| Total deferred tax liabilities | 49,551 | 9,329 | - | 6 | 58,886 |

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

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

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

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| | 2021 | 2020 |
|-------------------------------|----------------------|---------------|
| | (Thousands of euros) | |
| 2016 tax credit carryforwards | 116 | 999 |
| 2017 tax credit carryforwards | - | 11,680 |
| 2018 tax credit carryforwards | - | 7,247 |
| 2019 tax credit carryforwards | 6,802 | 11,028 |
| 2020 tax credit carryforwards | 6,509 | 6,509 |
| 2021 tax credit carryforwards | 9,453 | - |
| | 22,880 | 37,463 |

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 Group has unrecorded tax losses amounting to 1,854 thousand euros at 31 December 2021 and 5,682 thousand euros at 31 December 2020, 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 2021 and 2020 is as follows:

| Type | 31.12.2021 | 31.12.2020 |
|--|----------------------|----------------------|
| | (Thousands of euros) | (Thousands of euros) |
| Guarantees provided | | |
| Guarantees provided for contracts/concessions/tenders | 24,306 | 45,868 |
| Guarantees provided as security to the Spanish tax authorities | - | - |
| Payments into court | 79,385 | 77,520 |
| | 103,691 | 123,388 |
| Guarantees received | 5,818 | 10,627 |

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19.1. Guarantees provided

- At 31 December 2021, the Group had provided guarantees required for its business activities amounting to 24,306 thousand euros (45,868 thousand euros in 2020).
- The Group has provided a guarantee of 15,600 thousand euros before the 6th panel of the Contentious-Administrative Division of the National High Court in connection with the appeal filed against the decision of the Spanish National Competition Commission of 6 February 2013 in case SNC/0024/12, whereby Mediaset España Comunicación, S.A. was declared to be in breach of various commitments for which the Telecinco/Cuatro transaction was authorised and a penalty was consequently imposed on it for the amount of the guarantee (see Note 16).
- The Group has provided two guarantees, amounting to 14,909 thousand euros and 2,091 thousand euros, respectively, before the Madrid Commercial Court no. 6 in compliance with the Order dated December 22, 2014 (see Note 16).
- The Group has provided three guarantees for a total amount of 38,979 thousand euros before the 6th Panel of the Contentious-Administrative Division of the National High Court for the appeal filed against the Resolution of the National Commission for Markets and Competition of 12 November 2019 in case S/DC/617/17 (Note 16).
- There are other judicial guarantees amounting 7,806 thousand euros.

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

20. LONG-TERM REMUNERATION

At 31 December 2021, three long-term incentive and loyalty plans were recognised, which were approved in, 2018, 2019 and 2021 for the 2018 to 2020, 2019 to 2021 and 2021 to 2023 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.

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In the course of the 2021 financial year, the 2018 PIF was exercised, covering 2018 to 2020, which has been exercised in full.

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

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

| | PIF 2018 | PIF 2019 | PIF 2021 | Total |
|---|----------------|----------------|----------------|-----------------------|
| Rights assigned during the year | 114,239 | - | - | 114,239 |
| Rights cancelled during the year | (5,605) | - | - | (5,605) |
| Rights in force as of December 31, 2019 | <u>108,634</u> | - | - | <u>108,634</u> |
| Rights assigned during the year | - | 167,157 | - | 167,157 |
| Rights cancelled during the year | - | - | - | - |
| Rights in force as of December 31, 2019 | - | <u>167,157</u> | - | <u>167,157</u> |
| Rights assigned during the year | - | - | - | - |
| Rights cancelled during the year | - | - | - | - |
| Rights in force as of December 31, 2020 | <u>108,634</u> | <u>167,157</u> | - | <u>275,791</u> |
| Rights assigned during the year | - | - | 237,128 | 237,128 |
| Rights cancelled during the year | (108,634) | - | - | (108,634) |
| Rights in force as of December 31, 2021 | - | <u>167,157</u> | <u>237,128</u> | <u>404,285</u> |

In 2021, 547 thousand euros were recognised in the statement of profit or loss as a result of this scheme (688 thousand euros in December 2020) (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:

2018 plan: € 9.24 per share

2019 plan: € 6.33 per share

2021 plan: € 4.54 per share

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

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21. Income and expenses

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

| | <u>2021</u> | <u>2020</u> |
|-------------------------|-----------------------|-----------------------|
| <u>Line of business</u> | | |
| Advertising revenue | 801,188 | 732,037 |
| Services rendered | 62,252 | 87,997 |
| Other | 2,478 | 5,929 |
| Total | <u>865,918</u> | <u>825,963</u> |

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

| | <u>2021</u> | <u>2020</u> |
|----------------|-----------------------|-----------------------|
| Spain | 822,361 | 757,446 |
| European Union | 39,476 | 61,432 |
| Rest of world | 4,081 | 7,085 |
| Total | <u>865,918</u> | <u>825,963</u> |

21.2. The detail of "Staff Costs" in 2021 and 2020 is as follows:

| | <u>2021</u> | <u>2020</u> |
|------------------------------|-----------------------|-----------------------|
| Wages and salaries | 109,827 | 100,209 |
| Social Security costs | 20,834 | 19,873 |
| Other employee benefit costs | 598 | 485 |
| Total | <u>131,259</u> | <u>120,567</u> |

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

| | <u>2021</u> | | | <u>2020</u> | | |
|-------------------------|-------------------|-------------------|---------------------|-------------------|-------------------|---------------------|
| | Men | Women | Total | Men | Women | Total |
| Managers | 81 | 42 | 123 | 79 | 40 | 119 |
| Supervisors | 46 | 51 | 97 | 48 | 50 | 98 |
| Journalists | 155 | 143 | 298 | 145 | 134 | 279 |
| Clerical/Line personnel | 519 | 508 | 1,027 | 505 | 497 | 1,002 |
| Other | 16 | - | 16 | 16 | - | 16 |
| Site crew | 13 | 11 | 24 | 24 | 26 | 50 |
| Total personnel | <u>830</u> | <u>755</u> | <u>1,585</u> | <u>817</u> | <u>747</u> | <u>1,564</u> |

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The breakdown of the Group's employees by professional category at 31 December 2021 and 2020 is as follows:

| | 2021 | | | 2020 | | |
|-------------------------|------------|------------|--------------|------------|------------|--------------|
| | Men | Women | Total | Men | Women | Total |
| Managers | 82 | 42 | 124 | 79 | 41 | 120 |
| Supervisors | 46 | 50 | 96 | 48 | 51 | 99 |
| Journalists | 154 | 141 | 295 | 152 | 144 | 296 |
| Clerical/Line personnel | 530 | 509 | 1,039 | 506 | 500 | 1,006 |
| Other | 16 | - | 16 | 16 | - | 16 |
| Site crew | 12 | 13 | 25 | 9 | 9 | 18 |
| Total personnel | 840 | 755 | 1,595 | 810 | 745 | 1,555 |

The breakdown of staff with a disability exceeding 33% at 31 December 2021 and 2020 in the Group by professional category is as follows:

| | 2021 | 2020 |
|-------------------------|-----------|----------|
| | Total | Total |
| Journalists | 2 | 2 |
| Clerical/Line personnel | 8 | 7 |
| Total personnel | 10 | 9 |

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

| | 2021 | 2020 |
|---------------------|----------------|------------|
| Charge for the year | 758 | 2,126 |
| Reversals | (2,971) | (1,309) |
| Total | (2,213) | 817 |

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21.4. The detail of “Other Expenses” in 2021 and 2020 is as follows:

| | <u>2021</u> | <u>2020</u> |
|-----------------------------|-----------------------|-----------------------|
| Outside services | 155,386 | 153,985 |
| Taxes other than Income tax | 23,198 | 20,717 |
| Other expenses | 2,130 | 656 |
| Excessive provisions | (2,132) | (383) |
| Total | <u>178,582</u> | <u>174,975</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 297 thousand euros in 2021 (304 thousand euros in 2020 provided by Deloitte).

The fees for other professional services provided by the principal auditor or by any entity related to the principal auditor amounted to 46 thousand euros in 2021 (43 thousand euros in 2020), the detail being as follows, in thousands of euros:

| | <u>2021</u> | <u>2020</u> |
|-----------------------------|------------------|------------------|
| Other verification services | 46 | 43 |
| Tax services | - | - |
| Others | - | - |
| | <u>46</u> | <u>43</u> |

21.6. The detail of the Group’s net finance income/(costs) in 2021 and 2020 is as follows:

| | <u>2021</u> | <u>2020</u> |
|--------------------|---------------------|-----------------------|
| Financial income | 17,138 | 279 |
| Financial expenses | (14,082) | (2,209) |
| Total | <u>3,056</u> | <u>(1,930)</u> |

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21.7. Exchange differences

The detail of the exchange differences in 2021 and 2020 is as follows:

| | <u>2021</u> | <u>2020</u> |
|-----------------|--------------|-------------|
| Exchange gains | 1,395 | 1,276 |
| Exchange losses | (1,535) | (1,117) |
| Total | (140) | 159 |

The volume of foreign currency transactions relating to the recognition of audiovisual property rights and distribution rights amounted to 29 million US dollars in 2021 and 15 million US dollars in 2020.

In addition, under the heading of payables for purchases of audiovisual rights, 12,824 thousand euros are expressed in dollars in 2021 and 6,309 thousand euros in 2020.

Also, in "Trade Receivables for Sales and Services" included 287 thousand euros were expressed in dollars in 2021 compared to 111 thousand euros in 2020.

21.8. Operating leases

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

| | <u>2021</u> | <u>2020</u> |
|---|--------------------|-------------|
| | Thousands of euros | |
| Operating lease payments recognised in profit or loss | 714 | 594 |
| | 714 | 594 |

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.

Mediaset España Comunicación, S.A. and Subsidiaries

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22. Earnings per share

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

| | 31.12.21 | 31.12.20 |
|--|--------------------|--------------------|
| Total shares issued | 313,166,144 | 327,435,216 |
| Less: Weighted treasury shares | (12,977,622) | (14,283,358) |
| Total number of shares outstanding | 300,188,522 | 313,151,858 |
| Dilutive effect of share options | - | - |
| Total number of shares for the calculation of diluted earnings per share | 300,188,522 | 313,151,858 |

22.1. Basic earnings per share:

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

Accordingly:

| | 31.12.21 | 31.12.20 | Change |
|--|-------------|-------------|--------------|
| Net profit for the period (thousands of euros) | 181,031 | 178,731 | 2,300 |
| Shares outstanding | 300,188,522 | 313,151,858 | (12,963,336) |
| Diluted earnings per share (euros) | 0.60 | 0.57 | 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.

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Accordingly:

| | 31.12.21 | 31.12.20 | Change |
|--|-------------|-------------|--------------|
| Net profit for the period (thousands of euros) | 181,031 | 178,731 | 2,300 |
| Number of shares for the calculation of diluted earnings per share | 300,188,522 | 313,151,858 | (12,963,336) |
| Diluted earnings per share (euros) | 0.60 | 0.57 | 0.03 |

23. Related party transactions

23.1. Transactions with associates and shareholders

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

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

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

| | 31.12.2021 | | 31.12.2020 | |
|------------------------------------|--------------------------------------|---------------------------------|--------------------------------------|---------------------------------|
| | 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. | 4 | 231 | 12 | 146 |
| La Fábrica de la Tele, S.L. | 4 | 5,896 | 1 | 6,224 |
| Aunia Publicidad Interactiva, S.L. | - | - | - | (10) |
| Alea Media, S.A. | 36 | 216 | 1 | 68 |
| Bulldog Tv Spain, S.L. | - | 658 | - | 6,479 |
| Alma Productora Audiovisual, S.L. | 13 | 1,180 | 2 | 1,194 |
| Unicorn Content, S.L. | 5 | 7,518 | 12 | 5,159 |
| Pagoeta Media, S.L.U. | - | - | - | - |
| Fénix Media Audiovisual, S.L. | - | 536 | - | 23 |
| Grupo Mediaset Italia | 564 | 2,589 | 285 | 2,178 |
| Total | 626 | 18,824 | 313 | 21,461 |

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Explanatory Notes to the Consolidated Financial Statements for the year ended 31 December 2021
(In thousands of euros)

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

| <u>2021</u> | Balance | Maturity | | |
|----------------------------|----------------|-----------------|----------|-----------|
| | | 3 months | 6 months | 12 months |
| Investees | 62 | 62 | - | - |
| Mediaset Italia Group | 564 | 564 | - | - |
| Total (Note 13.6.1) | 626 | 626 | - | - |

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

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

| <u>2021</u> | Balance | Maturity | | |
|-----------------------|----------------|-----------------|----------|-----------|
| | | 3 months | 6 months | 12 months |
| Investees | 16,235 | 16,235 | - | - |
| Mediaset Italia Group | 2,589 | 2,589 | - | - |
| Total | 18,824 | 18,824 | - | - |

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

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.

Mediaset España Comunicación, S.A. and Subsidiaries

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(In thousands of euros)

Long-term loans to related companies

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 | |
|------------------------------------|--------------|--------------|--------------|------------|--------------------|---------------|----------------|--------------|-----------------------------|--------------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Producciones Mandarina, S.L. | 19 | 43 | - | - | 629 | 2,407 | - | - | (30) | 4,810 |
| La Fábrica de la Tele, S.L. | 41 | 11 | - | - | 31,769 | 28,265 | - | - | - | - |
| Aunia Publicidad Interactiva, S.L. | - | - | - | - | - | 181 | - | - | - | - |
| Melodía Producciones, S.L. | - | - | - | 41 | - | 41 | - | - | - | - |
| Alea Media, S.A. | 54 | 17 | 100 | 77 | 529 | 382 | - | - | 17,567 | 5,068 |
| Alea La Maleta, S.L.U. | - | - | - | - | - | - | - | - | 43 | - |
| Grupo Mediaset Italia | 1,573 | 986 | 10 | 16 | 2,018 | 1,593 | 1,272 | 1,262 | - | - |
| Bulldog Tv Spain, S.L. | - | - | - | - | 15,876 | 24,576 | - | - | - | - |
| Alma Productora Audiovisual, S.L. | 80 | 26 | - | - | 5,207 | 2,925 | - | - | - | - |
| Fénix Media Audiovisual, S.L. | - | - | - | - | 1,250 | 41 | - | - | - | - |
| Unicorn Content, S.L. | 58 | 55 | - | - | 19,865 | 20,469 | - | - | 5,970 | - |
| Total | 1,825 | 1,138 | 110 | 134 | 77,143 | 80,880 | 1,272 | 1,262 | 23,550 | 9,878 |

The dividends received from related companies in 2021 and 2020 are as follows:

| | 2021 | 2020 |
|-----------------------------|--------------|--------------|
| La Fábrica de la Tele, S.L. | 859 | 2,040 |
| Unicorn Content, S.L. | 240 | 1,152 |
| Bulldog Tv Spain, S.L. | 450 | 870 |
| | 1,549 | 4,062 |

23.2. Remuneration of directors

The total remuneration earned by the members of the Company's Board of Directors in 2021 and 2020 amounted to 7,824 and 5,705 thousand euros, respectively, in respect of salary and other benefits in kind.

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 2021 or 2020.

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Other disclosures concerning the Board of Directors

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

In 2021 insurance premiums amounting to 97 thousand euros (68 thousand euros in 2020) 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 2021, 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:

| Number of persons | | Total remuneration (Thousands of euros) | |
|-------------------|------|--|-------|
| 2021 | 2020 | 2021 | 2020 |
| 18 | 19 | 8,761 | 8,461 |

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 2020, in 2021 no share options were made available to the senior executives.

24. Significant events after the reporting period

In January 2022 the Company completed the cancellation of the first tranche of the derivative relating to the second Prosieben share acquisition that took place in March 2020 (see Note 13).

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THE SPANISH ECONOMY IN 2021

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

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

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

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

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

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

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

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The evolution of inflation will continue to be closely monitored in view of the unusually high levels reached at the date this Management Report was prepared. In Spain, according to the Bank of Spain, price pressures should ease in 2022 due to both the reduction in the base and the partial reversal of the increase in energy prices that the futures markets point towards so, although there would be an upturn from 3% in 2021 to 4% this year in terms of annual averages, there would be a gradual slowdown, especially in the second half of the year, which would bring it to under 2% by year-end.

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

ORGANISATIONAL STRUCTURE

The corporate purpose of Mediaset España Comunicación, S.A., parent company of the Consolidated Mediaset España Group, is the indirect management of a public television service. At 31 December 2021, it was commercially operating seven television channels (Telecinco, Factoría de Ficción, Boing, Cuatro, Divinity, Energy and Be Mad). It is also the parent company of a Group of companies known as the Grupo Mediaset España Comunicación.

The distribution of the Parent Company's share capital at year end 2021 and 2020 was as follows:

| Owner | <u>2021</u> ownership % | <u>2020</u> ownership % |
|-------------------------|-------------------------------|-------------------------------|
| MFE-MediaForEurope N.V. | 55.69 | 53.26 |
| Market | 44.31 | 42.38 |
| 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:

- Audiovisual production
- Distribution of content
- Sale of digital advertising
- Exploitation of an OTT Platform

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THE TELEVISION BUSINESS IN 2021

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

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

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

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

In terms of audience, the figures for the year (always in terms of Total Day) show that our Group continues to be the global leader with an audience share of 28.2% and a difference of 0.9 points with our main competitor.

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

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

- Net turnover increased from 836,647 thousand euros to 876,337 thousand euros, primarily as a result of the increase in advertising sales.

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- Operating expenses rose from 606,122 thousand euros to 651,043 thousand euros, an increase which can be explained by the normalisation of the advertising business in the year compared to the unusual year that was 2020 when, especially during the lockdown period, costs were radically reduced, as well as the impact of the 2020 European Football Championship which took place in 2021.
- Finally, the Parent Company's net result for 2021 is 181,031 thousand euros compared to 178,731 thousand euros in 2020.

In January 2021, the Group acquired a 3.43% stake in Prosieben Sat in addition to the 9.75% of the German TV operator's shares that had been purchased in November 2019 and March 2020 respectively. The latter acquisition was carried out entirely with Mediaset's own resources. All these operations are of a purely industrial nature and are closely related to the Group's strategic vision in the sense of a more global approach to the objectives, challenges and opportunities offered to media operators in the international competitive environment and which constitute a fundamental part of the Group's future-oriented business strategy.

DIVIDENDS AND TREASURY SHARES

The Group's Parent Company has not distributed dividends in 2020 or 2021.

INVESTMENTS IN RIGHTS AND CINEMA

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

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

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

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

In the summer, "No haberlos tenido" was shot, a comedy written by Manuel Burque and Josep Gatell (screenwriters of "Es por tu bien" and "Operación Camarón") and directed by Víctor

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García León. The film stars Tito Valverde, Gracia Olayo, Ernesto Sevilla and Toni Acosta, and will be released in 2023.

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

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

INTERNET

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

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

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

In terms of television content platforms, "Mitele.es" strengthened its leadership in video consumption, beating its annual record of 3,371 million videos viewed, 13% more than in 2020, compared to 2,704 million for Atresplayer, one of its main competitors, and reaffirming its

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leadership as the most consumed live and on-demand television content platform. Meanwhile, the digital native content platform "Mtmad" has achieved a total of 391 million views, representing a 13% growth compared to 2020, its absolute record with 1.7 million unique users per month, 40% more than in 2020.

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

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

TREASURY SHARES

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

PAYMENTS TO SUPPLIERS

In 2021, the average payment period to the Group's Spanish suppliers was 74 days, a figure that compares with 86 days in the previous year. These figures can be explained almost exclusively by the rigorous control exercised by the Group in relation to the commercial and tax requirements that must be met by the invoices received and which means that these are not paid until the detected incidences have been rectified. With the disruption created by the lockdown measures and the emergence of working from home, many suppliers have been much slower in complying with the said requirements. In all other respects, the Group scrupulously complies with the guidelines set out in the said legislation combating late payment.

MEDIASET ESPAÑA SHARES

From a stock market point of view, 2021 saw two very distinct periods: during the first half of the year, expectations for a recovery in the sector were improving, which led to generalised revaluations across the sector as a whole. From then on, with the appearance of successive

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waves of Covid and the supply crisis in the automotive sector, one of the most important in the advertising market, the positive trend reverted to the point of cancelling out the gains accumulated up until then and even ending the year with reductions which, in the case of Mediaset España, reached up to 3.5%.

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

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

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

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

CORPORATE GOVERNANCE

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

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

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

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

The non-financial information for the financial year 2021 is presented in a separate report following this Consolidated Management Report, "Statement of Non-Financial Information". The "Annual Corporate Governance Report" and the "Annual Report on Directors' Remuneration" for the 2021 financial year are presented separately and by reference, and are

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available on the website of the National Securities Market Commission (CNMV), in the Company's information section, Mediaset España Comunicación, S.A., in the "Information on Corporate Governance" section, all of which form part of this Consolidated Management Report.

HEDGING OF FINANCIAL RISKS

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

RISK CONTROL

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

RESEARCH AND DEVELOPMENT

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

ENVIRONMENTAL MATTERS

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

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

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

CAPITAL STRUCTURE

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

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

On 22 June 2020 Mediaset España left the Ibex 35 as it did not meet the capitalisation and volume requirements to remain in the selective index. The lower trading volumes are due to

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the high number of shares that were immobilised as a requirement to apply for the withdrawal right in the "Media for Europe" (MFE) project. In August, the number of shares frozen amounted to around 35 million shares. The heavy penalty in terms of capitalisation is mainly due to the impact of the pandemic. On the same date, i.e., 22 June, Mediaset España joined the Ibex Medium Cap index.

OUTLOOK FOR THE COMPANY'S BUSINESS DEVELOPMENT

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

Regarding the media business, our Group will continue to seek to increase its revenue base towards activities that have a promising future: digital advertising revenues from our internet platforms, and the development of HbbTv, which combines the advantages of audience targeting for advertisers with the possibility of more direct advertising, and the sale of content to third parties taking advantage of the important weight our in-house productions have in our programme schedule together with the existence of a steadily increasing structural base for the creation of content both directly in house or through stakes in independent producers and all this without forgetting the growing demand for domestic production by the new audiovisual platforms, phenomena and situations that have already crystallised and shown very positive results in 2020.

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

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

Based on television consumption data measured in minutes/day and the weight of free-to-air television in terms of global audiovisual consumption via the various platforms, we hope that

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the share of TV advertising revenues in the overall advertising pie remains high, demonstrating the importance of TV as a means of distributing advertising messages due to its penetration, simultaneous exposure to consumers, standardised audience and impact measurement techniques, and the security of its environment since it is a strictly-regulated media.

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

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

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

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

With regards to our programming grid, we will continue to exploit the genres that have historically been popular with audiences and that have made us the leading group, as well as our strategy of diversifying and focusing on audiences through our family of channels in order to achieve a better understanding of the audience and also a more attractive company profile for our customers. In the context of sporting event rights our strategy will continue to focus on taking advantage of those windows of opportunity that enable us to acquire popular events capable of increasing our audience and advertising levels, provided that the cost of buying such rights allow us the possibility to make them profitable.

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

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