



# Atresmedia Corporación de Medios de Comunicación, S.A.

Annual Accounts  
31 December 2019

Directors' Report  
2019

(With Independent Auditor's Report Thereon)

(Free translation from the original in Spanish.  
In the event of discrepancy, the Spanish-  
language version prevails.)



KPMG Auditores, S.L.  
Paseo de la Castellana, 259 C  
28046 Madrid

## **Independent Auditor's Report on the Annual Accounts**

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

To the Shareholders of Atresmedia Corporación de Medios de Comunicación, S.A.

### **REPORT ON THE ANNUAL ACCOUNTS**

#### **Opinion**

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We have audited the annual accounts of Atresmedia Corporación de Medios de Comunicación, S.A. (the "Company"), which comprise the balance sheet at 31 December 2019, and the income statement, statement of changes in equity and statement of cash flows for the year then ended, and notes.

In our opinion, the accompanying annual accounts give a true and fair view, in all material respects, of the equity and financial position of the Company at 31 December 2019, and of its financial performance and its cash flows for the year then ended in accordance with the applicable financial reporting framework (specified in note 2 to the accompanying annual accounts) and, in particular, with the accounting principles and criteria set forth therein.

#### **Basis for Opinion**

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We conducted our audit in accordance with prevailing legislation regulating the audit of accounts in Spain. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Annual Accounts* section of our report.

We are independent of the Company in accordance with the ethical requirements, including those regarding independence, that are relevant to our audit of the annual accounts pursuant to the legislation regulating the audit of accounts in Spain. We have not provided any non-audit services, nor have any situations or circumstances arisen which, under the aforementioned regulations, have affected the required independence such that this has been compromised.

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



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## Key Audit Matters

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

### Recognition of deferred tax assets (Euros 181,607 thousand)

See notes 2, 4.8 and 16 to the annual accounts

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>The recognition of deferred tax assets entails a high level of judgement by Management of the Company in assessing the probability and sufficiency of future taxable profits and reversals of taxable temporary differences.</p> <p>Due to the significance of the balance of deferred tax assets, the high level of judgement regarding the estimates used and the uncertainty associated with the recovery of the aforementioned assets, this has been considered a key audit matter.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"><li>– We assessed the design and implementation of the most relevant controls established by the Company over the recognition and measurement of deferred tax assets.</li><li>– We assessed the key assumptions used to estimate the future taxable profits within the time limit established in the financial reporting framework applicable to the Company, as well as the estimates of reversals of taxable temporary differences, comparing these assumptions and estimates with historical information.</li><li>– We also assessed the sufficiency of future taxable profits to offset deferred tax assets within the time limit established in the financial reporting framework applicable to the Company.</li><li>– We assessed whether the disclosures in the annual accounts meet the requirements of the financial reporting framework applicable to the Company.</li></ul>



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## Revenue (Euros 733,221 thousand)

See notes 4.9, 18.1 and 19.1 to the annual accounts

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>The Company carries out advertising sales to Group companies. Accounting legislation generally requires that these transactions be recognised at the fair value of the consideration received. Any difference between this value and the amount agreed is recognised in line with the underlying economic substance of the transaction.</p> <p>Consequently, determining the prices applied and the fair value of transactions between Group companies as regards advertising sales requires a high level of judgement, due to the inherent difficulty in estimating this value.</p> <p>Due to the significance of the volume of advertising sales to Group companies and the high level of judgement required to estimate the fair value of these transactions, they have been considered a key audit matter.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"><li>–We evaluated the design and implementation of the key controls related to the process of identifying, measuring and documenting transactions with related parties.</li><li>–With the assistance of our specialists, we evaluated the reasonableness of the methodology used by the Company to determine the prices at which advertising sales transactions with Group companies are performed, as well as the documentation supporting that these transactions were carried out at fair value.</li><li>–We obtained confirmation of advertising sales transactions between Group companies performed during the year.</li><li>–We assessed whether the disclosures in the annual accounts meet the requirements of the financial reporting framework applicable to the Company.</li></ul>

## Other Information: Directors' Report

Other information solely comprises the 2019 directors' report, the preparation of which is the responsibility of the Company's Directors and which does not form an integral part of the annual accounts.

Our audit opinion on the annual accounts does not encompass the directors' report. Our responsibility as regards the content of the directors' report is defined in the legislation regulating the audit of accounts, which establishes two different levels:

- a) A specific level applicable to certain information included in the Annual Corporate Governance Report, as defined in article 35.2. b) of Audit Law 22/2015, which consists solely of verifying that the aforementioned information has been provided in the directors' report, and if not, to report on this matter.





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- b) A general level applicable to the rest of the information included in the directors' report, which consists of assessing and reporting on the consistency of this information with the annual accounts, based on knowledge of the entity obtained during the audit of the aforementioned accounts and without including any information other than that obtained as evidence during the audit. Also, assessing and reporting on whether the content and presentation of this part of the directors' report are in accordance with applicable legislation. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report them.

Based on the work carried out, as described above, we have verified that the specific information mentioned in section a) above has been provided in the directors' report, that the rest of the information contained in the directors' report is consistent with that disclosed in the annual accounts for 2019, and that the content and presentation of the report are in accordance with applicable legislation.

### **Directors' and Audit Committee's Responsibility for the Annual Accounts \_\_\_\_\_**

The Directors are responsible for the preparation of the accompanying annual accounts in such a way that they give a true and fair view of the equity, financial position and financial performance of the Company in accordance with the financial reporting framework applicable to the entity in Spain, and for such internal control as they determine is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

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

The audit committee is responsible for overseeing the preparation and presentation of the annual accounts.

### **Auditor's Responsibilities for the Audit of the Annual Accounts \_\_\_\_\_**

Our objectives are to obtain reasonable assurance about whether the annual accounts 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 prevailing legislation regulating the audit of accounts 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 economic decisions of users taken on the basis of these annual accounts.



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

We communicate with the audit committee of Atresmedia Corporación de Medios de Comunicación, S.A. regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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



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From the matters communicated to the audit committee of the entity, we determine those that were of most significance in the audit of the annual accounts of the current period and which 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.

## **REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

### **Additional Report to the Audit Committee** \_\_\_\_\_

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

### **Contract Period** \_\_\_\_\_

We were appointed as auditor by the shareholders at the ordinary general meeting on 24 April 2019 for a period of one year, specifically the year ended 31 December 2019.

Previously, we had been appointed for a period of three years, by consensus of the shareholders at their general meeting, and have been auditing the annual accounts since the year ended 31 December 2016.

KPMG Auditores, S.L.

On the Spanish Official Register of Auditors ("ROAC") with No. S0702

*(Signed on original in Spanish)*

Manuel Martín Barbón

On the Spanish Official Register of Auditors ("ROAC") with No. 16239

26 February 2020



# ATRESMEDIA

## **Atresmedia Corporación de Medios de Comunicación, S.A.**

Financial statements for the year ended 31  
December 2019

*Translation of a report originally issued in Spanish and of financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Company in Spain (see Notes 2 and 21). In the event of discrepancy, the Spanish-language version prevails.*

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## **Management report**

Management report

Annual corporate governance report

**BALANCE SHEET AS AT 31 DECEMBER 2019**

Thousands of euros	NOTES	31/12/2019	31/12/2018
<b>ASSETS</b>			
<b>Intangible assets</b>	<b>5</b>	<b>57,813</b>	<b>65,020</b>
Licences and trademarks		46,564	53,451
Computer software		10,942	11,159
Other intangible assets		307	410
<b>Property, plant and equipment</b>	<b>6</b>	<b>37,249</b>	<b>41,243</b>
Land and buildings		23,090	23,305
Plant and other items of property, plant and equipment		14,075	17,914
Property, plant and equipment in progress		84	24
<b>Non-current investments in group companies and associates</b>	<b>6 and 19.2</b>	<b>150,142</b>	<b>181,485</b>
Equity instruments		114,779	115,793
Loans to companies		35,363	65,692
<b>Non-current investments</b>	<b>8.1</b>	<b>40,568</b>	<b>30,905</b>
Other financial assets		40,568	30,905
<b>Deferred tax assets</b>	<b>16</b>	<b>181,607</b>	<b>197,263</b>
<b>NON-CURRENT ASSETS</b>		<b>467,379</b>	<b>515,916</b>
<b>Inventories</b>	<b>11</b>	<b>303,048</b>	<b>339,438</b>
Programme rights		295,465	330,213
Raw and other materials		5,440	5,297
Advances to suppliers		2,143	3,928
<b>Trade and other receivables</b>		<b>227,524</b>	<b>195,033</b>
Trade receivables		13,960	10,149
Trade receivables from group companies and associates	<b>19.2</b>	192,275	177,142
Other receivables		2,177	1,878
Employee receivables		86	71
Current tax assets	<b>16</b>	18,884	5,628
Other receivables from public authorities	<b>16</b>	142	165
<b>Current investments in group companies and associates</b>	<b>19.2</b>	<b>47,904</b>	<b>44,069</b>
Loans to companies		47,904	44,069
<b>Current investments</b>	<b>8.2</b>	<b>8,516</b>	<b>9,027</b>
Derivatives	<b>10</b>	3,814	3,002
Investments	<b>8.2</b>	1,400	3,092
Other financial assets	<b>8.2</b>	3,302	2,933
<b>Current prepayments and accrued income</b>		<b>5,092</b>	<b>6,997</b>
<b>Cash and cash equivalents</b>		<b>82,728</b>	<b>83,511</b>
Cash		82,728	83,511
<b>CURRENT ASSETS</b>		<b>674,812</b>	<b>678,075</b>
<b>TOTAL ASSETS</b>		<b>1,142,191</b>	<b>1,193,991</b>

The accompanying Notes 1 to 21 are an integral part of the balance sheet as at 31 December 2019.

**BALANCE SHEET AS AT 31 DECEMBER 2019**

Thousands of euros	NOTES	31/12/2019	31/12/2018
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' equity</b>	<b>12</b>		
<b>Capital</b>		<b>207,604</b>	<b>207,604</b>
Registered share capital		169,300	169,300
Share premium		38,304	38,304
<b>Reserves</b>		<b>102,550</b>	<b>121,935</b>
Legal and bylaw reserves		42,474	42,474
Other reserves		60,076	79,461
<b>Treasury shares and own equity instruments</b>		<b>(7,489)</b>	<b>(8,810)</b>
<b>Other equity instruments</b>	<b>19.3</b>	<b>1,355</b>	<b>2,254</b>
<b>Profit for the year</b>		<b>103,028</b>	<b>82,105</b>
<b>Interim dividend</b>		<b>(45,012)</b>	<b>(44,988)</b>
<b>Valuation adjustments</b>		<b>6,917</b>	<b>2,949</b>
<b>Hedges</b>			
<b>EQUITY</b>		<b>368,953</b>	<b>363,049</b>
<b>Non-current provisions</b>	<b>14.1</b>	<b>20,364</b>	<b>-</b>
<b>Non-current payables</b>	<b>13</b>	<b>282,795</b>	<b>310,317</b>
Bonds and other marketable debt securities		178,030	170,770
Bank borrowings		103,475	137,907
Derivatives	<b>10</b>	1,273	1,605
Other non-current payables		17	35
<b>Non-current payables to group companies and associates</b>	<b>19.2</b>	<b>2</b>	<b>2</b>
<b>Deferred tax liabilities</b>	<b>16</b>	<b>13,160</b>	<b>13,972</b>
<b>NON-CURRENT LIABILITIES</b>		<b>316,321</b>	<b>324,291</b>
<b>Current provisions</b>	<b>13</b>	<b>9,137</b>	<b>33,633</b>
<b>Bonds and other marketable debt securities</b>	<b>14.2</b>	<b>4,046</b>	<b>3,924</b>
<b>Bank borrowings</b>	<b>14.2</b>	<b>7,413</b>	<b>11,870</b>
<b>Financial derivatives</b>	<b>10</b>	<b>151</b>	<b>511</b>
<b>Current payables to group companies and associates</b>	<b>19.2</b>	<b>96,592</b>	<b>65,544</b>
<b>Trade and other payables</b>		<b>339,578</b>	<b>391,007</b>
Payable to suppliers	<b>19.2</b>	299,329	324,646
Payable to suppliers, group companies and associates		13,382	45,145
Other payables		41	32
Employee receivables		11,685	9,658
Other payables to public authorities	<b>16</b>	15,058	11,439
Advances from customers		83	87
<b>Current prepayments and accrued income</b>		<b>-</b>	<b>162</b>
<b>CURRENT LIABILITIES</b>		<b>456,917</b>	<b>506,651</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,142,191</b>	<b>1,193,991</b>

The accompanying Notes 1 to 21 are an integral part of the balance sheet as at 31 December 2019.

**STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2019 AND 2018**

Thousands of euros	NOTES	2019	2018
<b>CONTINUING OPERATIONS</b>			
<b>Revenue</b>	<b>18.1</b>	<b>733,221</b>	<b>774,424</b>
Advertising revenue		733,221	774,424
<b>Procurements</b>	<b>18.2</b>	<b>(391,829)</b>	<b>(442,928)</b>
Programme amortisation and other		(646,290)	(688,175)
Raw materials and other consumables used		(1,848)	(2,348)
Inventories		256,309	247,595
<b>Other operating income</b>		<b>67,872</b>	<b>45,722</b>
Non-core and other current operating income/Other services		67,872	45,722
<b>Staff costs</b>		<b>(49,598)</b>	<b>(44,661)</b>
Salaries and wages		(42,421)	(37,578)
Employee benefits expense	<b>18.3</b>	(7,177)	(7,083)
<b>Other operating expenses</b>	<b>18.4</b>	<b>(221,315)</b>	<b>(211,735)</b>
External services		(220,390)	(210,632)
Taxes other than income tax		(1,391)	(1,068)
Losses, impairment and change in trade provisions		466	(35)
<b>Depreciation and amortisation</b>	<b>5 and 6</b>	<b>(21,301)</b>	<b>(21,380)</b>
<b>Provision surpluses</b>	<b>13</b>	<b>2,474</b>	<b>2,590</b>
<b>Impairment and gains/(losses) on disposals of non-current assets</b>	<b>6</b>	<b>38</b>	<b>5</b>
Gains/(losses) on disposals and other		38	5
<b>PROFIT FROM OPERATIONS</b>		<b>119,562</b>	<b>102,037</b>
<b>Finance income</b>	<b>18.5</b>	<b>24,283</b>	<b>43,592</b>
Dividends		<b>19,170</b>	<b>40,007</b>
- Group companies and associates	<b>19.1</b>	19,170	40,007
Marketable securities and other financial instruments		<b>5,113</b>	<b>3,585</b>
- Group companies and associates	<b>19.1</b>	2,063	2,731
- Other		3,050	854
<b>Finance costs</b>	<b>18.5</b>	<b>(9,147)</b>	<b>(7,652)</b>
On payables to group companies and associates	<b>19.1</b>	(449)	(450)
On payables to third parties		(8,698)	(7,202)
<b>Changes in fair value of financial instruments</b>	<b>18.6</b>	<b>(280)</b>	<b>7,641</b>
Financial assets and liabilities held for trading and other		(280)	7,641
<b>Exchange differences</b>	<b>17</b>	<b>310</b>	<b>(6,464)</b>
<b>Impairment and gains/(losses) on disposal of financial instruments</b>	<b>8.3</b>	<b>(3,509)</b>	<b>(3,953)</b>
Impairment and losses		(1,317)	(3,567)
Gains/(losses) on disposals and other		(2,192)	(386)
<b>FINANCIAL PROFIT</b>		<b>11,657</b>	<b>33,164</b>
<b>PROFIT/(LOSS) BEFORE TAX</b>		<b>131,219</b>	<b>135,201</b>
Income tax expense	<b>16.4</b>	(28,191)	(53,096)
<b>PROFIT FOR THE YEAR</b>		<b>103,028</b>	<b>82,105</b>

The accompanying Notes 1 to 21 are an integral part of the statement of profit or loss for the year ended 31 December 2019.



**STATEMENT OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2019 AND  
2018**

**A) STATEMENT OF RECOGNISED INCOME AND EXPENSE**

Thousands of euros	2019	2018
<b>PROFIT FOR THE YEAR (I)</b>	<b>103,028</b>	<b>82,105</b>
<b>Income and expense recognised directly in equity</b>		
- Measurement of financial instruments	3,608	2,548
- Tax effect	(902)	(637)
<b>TOTAL INCOME AND EXPENSE RECOGNISED DIRECTLY IN EQUITY (II)</b>	<b>2,706</b>	<b>1,911</b>
<b>Amounts transferred to the income statement</b>		
- Cash flow hedges	1,683	2,126
- Tax effect	(421)	(532)
<b>TOTAL AMOUNTED TRANSFERRED TO THE INCOME STATEMENT (III)</b>	<b>1,262</b>	<b>1,594</b>
<b>TOTAL RECOGNISED INCOME AND EXPENSE (I+II+III)</b>	<b>106,996</b>	<b>85,610</b>

Notes 1 to 21 to the accompanying financial statements are an integral part of the statement of recognised income and expense for the year ended 31 December 2019

**STATEMENT OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2019 AND 2018**

**B) STATEMENT OF TOTAL CHANGES IN EQUITY**

	Capital	Share premium	Reserves	Interim dividend	Treasury shares	Profit for the year	Other equity instruments	Valuation adjustments	Total equity
<b>ENDING BALANCE AT 01/01/2018</b>	<b>169,300</b>	<b>38,304</b>	<b>101,613</b>	<b>(49,487)</b>	<b>(8,810)</b>	<b>137,292</b>	<b>2,298</b>	<b>(556)</b>	<b>389,954</b>
<b>Total recognised income and expense</b>	-	-	-	-	-	<b>82,105</b>	-	<b>3,505</b>	<b>85,610</b>
<b>Distribution of profit</b>									
Distribution of interim dividends	-	-	-	(44,988)	-	-	-	-	(44,988)
Distribution of prior year dividends	-	-	-	49,487	-	(116,970)	-	-	(67,483)
<b>Treasury share transactions (net)</b>	-	-	-	-	-	-	-	-	-
Other transactions	-	-	-	-	-	-	(44)	-	(44)
<b>Transfers between equity items</b>	-		<b>20,322</b>	-		<b>(20,322)</b>	-	-	-
<b>ENDING BALANCE AT 31/12/2018</b>	<b>169,300</b>	<b>38,304</b>	<b>121,935</b>	<b>(44,988)</b>	<b>(8,810)</b>	<b>82,105</b>	<b>2,254</b>	<b>2,949</b>	<b>363,049</b>
<b>Total recognised income and expense</b>	-	-	-	-	-	<b>103,028</b>	-	<b>3,968</b>	<b>106,996</b>
<b>Distribution of profit</b>									
Distribution of interim dividends	-	-	-	(45,012)	-	-	-	-	(45,012)
Distribution of prior year dividends	-	-	-	44,988	-	(44,988)	-	-	-
Special dividend	-	-	(56,265)	-	-	-	-	-	(56,265)
<b>Treasury share transactions</b>									
Other transactions	-	-	(237)	-	1,321	-	(899)	-	185
<b>Other changes in equity</b>									
Transfers between equity items	-		37,117	-	-	(37,117)	-	-	-
<b>ENDING BALANCE AT 31/12/2019</b>	<b>169,300</b>	<b>38,304</b>	<b>102,550</b>	<b>(45,012)</b>	<b>(7,489)</b>	<b>103,028</b>	<b>1,355</b>	<b>6,917</b>	<b>368,953</b>

Notes 1 to 21 to the accompanying financial statements are an integral part of the statement of recognised income and expense for the year ended 31 December 2019

**STATEMENT OF CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER 2019 AND 2018**

Thousands of euros	31/12/2019	31/12/2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES (I)</b>	<b>86,514</b>	<b>135,965</b>
<b>Profit for the year before tax</b>	<b>131,219</b>	<b>135,201</b>
<b>Adjustments for:</b>	<b>10,366</b>	<b>(12,595)</b>
- Depreciation and amortisation	21,301	21,380
- Impairment losses	3,509	3,953
- Changes in provisions	760	(806)
- Proceeds from disposals of non-current assets	(38)	(5)
- Finance income	(24,283)	(43,592)
- Finance costs	9,147	7,652
- Exchange gains/(losses)	(310)	6,464
- Changes in fair value of financial instruments	280	(7,641)
<b>Changes in operating assets and liabilities</b>	<b>(40,890)</b>	<b>(3,619)</b>
- Inventories	28,668	38,939
- Trade and other receivables	(3,401)	10,780
- Trade and other payables	(51,410)	(46,262)
- Other current assets and liabilities	(14,747)	(7,076)
<b>Other cash flows from operating activities</b>	<b>(14,181)</b>	<b>16,978</b>
- Interest paid	(6,010)	(4,029)
- Dividends received	19,170	40,007
- Income tax received/(paid)	(27,341)	(19,000)
<b>CASH FLOWS FROM INVESTING ACTIVITIES (II)</b>	<b>(12,665)</b>	<b>(26,622)</b>
<b>Payments for investments</b>	<b>(21,880)</b>	<b>(32,069)</b>
- Group companies and associates	(11,817)	(11,735)
- Property, plant and equipment and intangible assets	(10,063)	(20,334)
<b>Proceeds from sale of investments</b>	<b>9,215</b>	<b>5,447</b>
- Group companies and associates	9,215	5,447
<b>CASH FLOWS FROM FINANCING ACTIVITIES (III)</b>	<b>(74,632)</b>	<b>(47,508)</b>
<b>Proceeds from and payments for financial liability instruments</b>	<b>26,645</b>	<b>64,963</b>
- Redemption and repayment of bank borrowings	(38,889)	51,868
- Proceeds from issue of borrowings from group companies and associates	65,534	13,095
<b>Dividends and interest on other equity instruments paid</b>	<b>(101,277)</b>	<b>(112,471)</b>
- Dividends	(101,277)	(112,471)
<b>EFFECT OF EXCHANGE RATE FLUCTUATIONS (IV)</b>	<b>-</b>	<b>-</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (I+II+III+IV)</b>	<b>(783)</b>	<b>61,835</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>83,511</b>	<b>21,676</b>
<b>Cash and cash equivalents at end of year</b>	<b>82,728</b>	<b>83,511</b>

Notes 1 to 21 to the accompanying financial statements are an integral part of the statement of cash flows for the year ended 31 December 2019

## Atresmedia Corporación de Medios de Comunicación, S.A.

Notes to the financial statements for the year ended 31 December 2019

### 1.- Company activities

Atresmedia Corporación de Medios de Comunicación, S.A. (the "Company") was incorporated on 7 June 1988 under the name Antena 3 de Televisión, S.A. It changed its corporate name in 2013. Its registered address and address for tax purposes is Avenida Isla Graciosa, 13, San Sebastián de los Reyes (Madrid). The company is on file at the Madrid Mercantile Register under page M-34473.

From 29 October 2003, its shares are traded on the Madrid, Barcelona, Bilbao and Valencia stock exchanges through the Spanish Stock Market Interconnection System (SIBE).

The Company's shareholders at the 2012 General Meeting approved the merger by absorption of Gestora de Inversiones Audiovisuales La Sexta, S.A., a nationwide television operator. This resolution was contingent on securing the related administrative authorisations. Once the authorisations were obtained, the merger was carried out and placed on file at the Madrid Mercantile Register on 30 October 2012 and the absorbed company was extinguished and all its assets and liabilities transferred en bloc to the Company.

Atresmedia Corporación's core business, according to its corporate objects, is the provision of audiovisual communication services in any type of broadcasting.

Specifically, it holds three national audiovisual television licenses, all with the related concessions for use of public radioelectric domain. The Company has acquired the following licences:

- 1) Nationwide audiovisual communication licence, awarded directly under the concession for the indirect management of the public television to Antena 3 de Televisión, S.A. pursuant to a resolution of the Spanish Cabinet of 25 August 1989 in a tender held in accordance with Private Television Law 10/1988, of 3 May.
- 2) Nationwide audiovisual communication licence, awarded originally under the concession for the indirect management of the public television to Gestora de Inversiones Audiovisuales La Sexta, S.A. (which was extinguished after the merger by absorption) pursuant to a resolution of the Spanish Cabinet of 29 July 2005 in a tender held in accordance with Private Television Law 10/1988, of 3 May.

Pursuant to a resolution by the Spanish Cabinet on 10 June 2010 and as provided for in General Audiovisual Communication Law 7/2010 (LGCA), of 31 March, these two concessions were transformed into licenses for the provision of audiovisual communication services, both for 15 years; i.e. to 2025, with automatic renewal for the same periods, provided the requirements of Article 28 of the LGCA are met.

On 5 October 2012, in execution of the agreed merger by absorption, the Spanish Cabinet resolved to authorise the transfer to the Company of the audiovisual communication licence held by Gestora de Inversiones Audiovisuales La Sexta, S.A. and the assignment for private use of the associated public radioelectric domain.

By virtue of these two licences, Atresmedia Corporación de Medios de Comunicación, S.A. operates the following digital terrestrial television channels directly: Antena 3 (also available in high definition), la Sexta (also available in high definition), Neox, Nova and Mega.

- 3) Nationwide audiovisual communication license awarded pursuant to a resolution of the Spanish Cabinet on 16 October 2015 concluding the tender held in accordance with the LGCA, authorising the Company to operate a high definition public television channel. This licence, operated by the Company directly, is valid for 15 years from the award; i.e. until 2030. Under it, the Company broadcasts the Atreseries channel.

Atresmedia Corporación de Medios de Comunicación, S.A. broadcasts content through its digital platform, Atresplayer, and other channels outside Spain, such as Antena 3 Internacional, Atreseries and ¡HOLA! TV. Other activities include the production and marketing of content, telesales and licenses.

Atresmedia and Telefónica signed a letter of intent in September 2019 to create fictional content in Spanish worldwide, which will culminate in a 50-50 joint venture between the groups to produce audiovisual content for Atresmedia and Movistar+, as well as for third-party operators. This agreement has begun and is currently pending the pertinent authorisations, above all from antitrust authorities.

The Company is the head of a group of subsidiaries and is obliged under current legislation to prepare, in addition to its own separate financial statements, consolidated financial statements, which also include its interests in joint ventures and investments in associates.

The consolidated financial statements for 2019 were authorised for issue by the Board of Directors at a meeting held on 26 February 2020.

The financial statements for 2018 were approved by shareholders at the General Meeting held on 24 April 2019, without modifications.

The key financial highlights of the 2019 consolidated financial statements are: total assets of EUR 1,282 million, equity of EUR 438 million, revenue of EUR 979 million, and profit for the year of EUR 118 million.

Given the Company's activities, it has no environmental liabilities, expenses, assets, provisions or contingencies that could have a significant effect on its equity, financial position and results of operations. Therefore, no specific environmental disclosures have been included in these notes to the financial statements.

## **2.- Basis of presentation**

### ***Financial reporting framework applicable to the Company***

The accompanying financial statements were prepared by the Company's directors in accordance with the financial reporting framework applicable to the Company, which is set out in:

- a) The Spanish Commercial Code and other company law.
- b) The Spanish National Chart of Accounts (Plan General Contable) approved by Royal Decree 1514/2007 and its industry adaptations, and Spanish National Securities Market Commission (CNMV) Circular 1/2008, of 30 January, on the periodic information of issuers whose securities are admitted to trading on regulated markets.
- c) The mandatory rules approved by the Spanish Accounting and Audit Institute implementing the Spanish National Chart of Accounts and the relevant secondary legislation, in addition to the mandatory rules approved by the Spanish National Securities Market Commission.
- d) All other applicable Spanish accounting legislation.

## **2019 FINANCIAL STATEMENTS**

*Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails*

### ***True and fair view***

The accompanying financial statements were obtained from the Company's accounting records and are presented in accordance with the regulatory financial reporting framework applicable to the Company and, in particular, with the accounting principles and rules contained therein and, accordingly, give a true and fair view of the Company's equity, financial position, results of operations and cash flows for the year. These financial statements, which were authorised for issue by the Company's directors, will be submitted for approval by shareholders at the General Meeting. They are expected to be approved without any changes. The financial statements for 2018 were approved at the General Meeting held on 24 April 2019.

### ***Non-mandatory accounting principles applied***

No non-mandatory accounting principles were applied. The directors prepared these financial statements taking into account all the mandatory accounting principles and standards with a significant effect thereon. All mandatory accounting principles were applied.

### ***Critical issues regarding the measurement and estimation of uncertainties***

The accompanying financial statements were prepared using estimates by the Company's directors to measure certain of the assets, liabilities, revenue, expenses and obligations recognised therein. Basically, these estimates relate to:

- Where there are indications of impairment, the Company tests its investments in group companies and associates for impairment. The determination of the recoverable amount of these investments entails the use of estimates by management. The Company uses discounted cash flow methods to determine these values. The key assumptions and sensitivity analysis are detailed in Note 8. The Company also measures certain investments in group companies and associates using the indirect method based on the underlying carrying amount of the investment plus the unrealised gains existing at the date of estimation where this method provides better evidence of the recoverable amount considering the activity and specific situation of each investment.
- The fair value of available-for-sale financial assets is subject to uncertainties given the absence of benchmark market values for these investments. The directors' base these estimates on the business plans of the investees or the existence of possible commitments, rights or set-price repurchase or capitalisation agreements.
- The estimation of the useful life of certain intangible assets, such as trademarks, and property, plant and equipment is highly subjective. Notes 4.1 and 4.2 indicate the useful lives considered for each type of intangible asset and property, plant and equipment.
- Calculations of programme amortisation for both in-house and acquired programmes in each year require the application of relevant estimates that best reflect the pattern of consumption. The main estimate used by the Company is the number of showings aired based on showings contracted, as detailed in Note 4.6.
- The Company performs estimates to calculate impairment losses on in-house programmes and on rights to acquired programmes in order to recognise the required impairment losses on such assets. These impairment losses require the use of estimates of future showings of the various types of products and are based on past experience.

- The Company assesses the recoverability of the tax assets based on the estimated future tax bases calculated using the business plan of the tax group of which it is the parent, and the periods considered to be reasonable (see Note 4.8).
- The estimates made in relation to share-based payments are subject to uncertainty in terms of the conditions to be satisfied and the evaluation of the plan. The conditions and evaluation of the plan are detailed in Notes 4.15 and 19.3.
- The Company is subject to regulatory and legal procedures. If it is probable that an obligation at year-end will give rise to an outflow of resources, a provision is recognised provided the amount can be reliably estimated. Legal proceedings usually involve complicated matters and are subject to substantial uncertainty. Consequently, the directors make a significant judgement when determining whether it is probable that the process will result in an outflow of resources and estimating the amount (see Notes 4.10 and 13).

Although these estimates were made based on the best information available at year-end 2019, future events may require these estimates to be modified (upwards or downwards) in subsequent reporting periods. Changes in accounting estimates would be applied prospectively.

At year-end, the Company had working capital of EUR 217,895 thousand (2018: EUR 171,424 thousand).

### ***Significant judgements in the application of accounting principles***

The Company considers that it exercises control over an investee when it has sufficient power to govern its financial and operating policies so as to obtain benefits from its activities. It does not exercise control over the associates that are 50% owned, or less, because under the shareholders agreements it has no powers to participate in the associates' financial and operating policies.

### ***Comparative information***

For comparative purposes, the financial statements present, for each of the items of the balance sheet, the statement of profit or loss, the statement of changes in equity, the statement of cash flows and in the notes thereto, in addition to the figures for 2019, those of the previous year.

### **Aggregation of items**

Certain items in the balance sheet, the statement of profit or loss, the statement of changes in equity and the statement of cash flows have been aggregated with other items to make them easier to understand. However, whenever the amounts involved are material, the information is disclosed separately in the related notes.

### **Changes in accounting policies**

There were no significant changes in accounting policies in 2019 relative to the criteria followed in 2018.

### **Correction of errors**

No material errors were detected in the accompanying financial statements requiring the restatement of amounts included in the 2018 financial statements.

### **Functional and presentation currency**

The financial statements are presented in thousands of euros rounded to the nearest thousand. The euro is the Company's functional and presentation currency.

## **3.- Distribution of profit**

Distribution of 2019 profit proposed by the directors of the Company to be submitted for approval by shareholders at the General Meeting (in thousands of euros):

	<b>2019</b>
Interim dividends paid in 2019 (EUR 0.20/share)	45.012
Maximum final dividend (EUR 0.25/share)	56.433
To voluntary reserves	1.583
<b>Total</b>	<b>103.028</b>

The Company's Board of Directors, at the meeting held on 20 November 2019, resolved to distribute out of the Company's profit for 2018 a gross amount of twenty euro cents (EUR 0.20) for each of the shares entitled to receive this interim dividend, representing a total of EUR 45,012 thousand, recognised under "Equity - Interim dividend" in the balance sheet.



The provisional accounting statement prepared in accordance with legal requirements evidencing the existence of sufficient liquidity for the distribution of the dividends is as follows:

**LIQUIDITY STATEMENT FOR THE PAYMENT OF THE 2019 INTERIM  
DIVIDEND**

	Thousands of euros
<b>Liquidity at 31 October 2019</b>	<b>327.461</b>
<b>Projected cash until 31 October 2020</b>	
Operating activities from November 2019 to October 2020	82.753
Financing activities from November 2019 to October 2020	-
Projected payment of 2019 interim dividend	(45.012)
<b>Projected liquidity at 31 October 2020</b>	<b>365.202</b>

#### 4.- Recognition and measurement standards

The principal accounting policies used by the Company in preparing its financial statements for 2019 and 2018, in accordance with the Spanish National Chart of Accounts, were as follows:

##### 4.1 Intangible assets

As a general rule, intangible assets are measured initially at cost of acquisition or production. After initial recognition, intangible assets are carried at cost less accumulated amortisation and any accumulated impairment. These assets are amortised over their useful lives.

##### *Licences and trademarks*

In these financial statements, the Company has recognised the amounts relating to the licence and the trademark identified in the purchase price allocation process arising from the merger with Gestora de Inversiones Audiovisuales La Sexta, S.A. carried out in 2012.

The trademark is amortised on a straight-line basis over its estimated useful life of 20 years.

Since 1 January 2016, the licence, which in prior years was considered to have an indefinite useful life, has been amortised over 10 years in accordance with Royal Decree 602/2016, of 2 December, which modified the measurement criteria for intangible assets and states that asset are amortised over a period of 10 years when the useful lives of the assets cannot be estimated reliably.

##### *Computer software*

The Company recognises costs incurred to acquire or develop software computer programs, including website development costs, under this item. Computer software maintenance costs and payments made to develop websites for promotional or product or service advertising reasons are recognised with a charge to the statement of profit or loss for the year in which they are incurred.

Computer software is amortised on a straight-line basis over three to five years.

#### **4.2 Property, plant and equipment**

Property, plant and equipment are measured initially at cost of acquisition or production, and subsequently reduced by the related accumulated depreciation and any impairment losses, as indicated in this note.

Expenses for repairs and maintenance of items of property, plant and equipment are taken to the statement of profit or loss in the year incurred. However, costs incurred to improve items which increase capacity or efficiency, or extend the useful life of the asset are capitalised as an increase in the cost of the related asset.

The Company depreciates property, plant and equipment using the straight-line method at annual rates based on the following years of estimated useful life of the related assets:

	<b>Years of estimated useful life</b>
Buildings	33
Plant	5 to 8
Computer hardware	3 to 5
Other fixtures	6 to 10
Other items of property, plant and equipment	6 to 10

#### **4.3 Impairment of intangible assets and property, plant and equipment**

The Company assesses the existence of indications of potential impairment of the non-financial assets subject to amortisation and depreciation, in order to check whether carrying amount exceeds recoverable amount, understood to be the higher of fair value less costs of disposal and value in use.

For property, plant and equipment, impairment is calculated item by item, on an individual basis.

Where an impairment loss subsequently reverses (not permitted in the specific case of goodwill), the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods. A reversal of an impairment loss is recognised as income.

#### **4.4 Operating leases**

Income and expenses from operating leases are taken to profit or loss for the reporting period in which they are accrued.

Any payment received or made on entering into an operating lease is considered as revenue received in advance or a prepayment and taken to profit or loss over the lease term in accordance with the pattern of economic benefits transferred or received.

The leases in which the Company is a lessor consist basically of facilities which the Company has leased to companies in its group.

#### **4.5 Financial instruments**

Financial instruments are classified on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the economic substance of the contractual arrangement and the definitions of a financial asset, a financial liability and an equity instrument.

##### **4.5.1 Financial assets**

###### *Classification-*

The financial assets held by the Company are classified into the following categories:

- a) Loans and receivables: financial assets arising on the sale of goods and the rendering of services in the course of the Company's trade operations; and financial assets that are neither equity instruments nor derivatives, not arising on trade transactions, with fixed or determinable payments, and which are not traded in an active market.
- b) Equity investments in group companies and associates: group companies are companies related to the Company through relationships of control, and associates are those over which the Company exercises significant influence.
- c) Held-to-maturity investments: debt securities with fixed or determinable payments traded in an active market which the Company has the positive intention and ability to hold to maturity.
- d) Financial assets held for trading: assets acquired with the purpose of selling them in the near term or part of a portfolio of identified financial instruments for which there is evidence of a recent actual pattern of short-term profit-taking. This category includes financial derivatives except for those that are financial guarantee contracts (such as pledges) or have been designated as hedging instruments.
- e) Available-for-sale financial assets: debt securities and equity instruments acquired that do not qualify for inclusion in any of the other categories.

###### *Initial measurement -*

Financial assets are initially measured at the fair value of the consideration given plus directly attributable transaction costs.

For equity investments in Group companies that give control over the subsidiary, fees paid to legal advisers and other professional services related to the acquisition of the investment are recognised directly in profit or loss.

###### *Subsequent measurement -*

Loans and receivables, and held-to-maturity investments are subsequently measured at amortised cost.

Held-for-trading financial assets are measured at fair value, based on expected results, the estimated dividend payable, the share price and share price volatility, and the risk-free rate at year-end. Any changes in fair value are recognised in profit or loss.

After initial recognition, available-for-sale assets are measured at fair value, without deducting any transaction costs incurred on disposal. Changes in fair value are recognised directly in equity until the investment is derecognised or determined to be impaired, at which time the cumulative gain or loss previously deferred in equity is taken to profit or loss. However, available-for-sale financial assets, corresponding to investments in equity instruments, whose fair value cannot be estimated reliably, are measured at cost less any accumulated impairment losses.

Equity investments in group companies and associates are subsequently measured at cost less any accumulated impairment. The impairment loss is measured as the difference between the carrying amount and the recoverable amount. The recoverable amount is the higher of the fair value less costs to sell and the present value of future cash flows from the investment. The investee's equity is taken into consideration, adjusted for any unrealised gains existing at the measurement date (including any goodwill), unless better evidence of the recoverable amount investment is available.

The Company tests its financial assets not measured at fair value for impairment at least at the end of each reporting date and whenever there are indications of impairment. Objective evidence of impairment is considered to exist if the recoverable amount of the financial asset is less than its carrying amount. When this occurs, the impairment loss is recognised in the statement of profit or loss.

The Company uses the strategic plans of the various businesses to calculate any possible impairment losses and discounts expected future cash flows. The Company prepares the various projections individually, taking into account the expected future cash flows of each cash-generating unit (CGU).

In calculating any valuation adjustments required for trade and other receivables, the Company takes into account the date on which the receivables are due to be settled and the debtors' equity position.

The Company derecognises a financial asset when the rights to the cash flows from the financial asset expire or have been transferred and substantially all the risks and rewards of ownership of the financial asset have also been transferred, such as in the case of firm asset sales.

However, it does not derecognise financial assets, and recognises a financial liability for an amount equal to the consideration received in transfers of financial assets in which substantially all the risks and rewards of ownership are retained, such as in the case of invoice discounting.

#### 4.5.2 Financial liabilities

Financial liabilities include debts and payables by the Company arising on the purchase of goods and services in the course of trade operations and non-trade liabilities that are not derivatives.

Debts and payables are initially measured at the fair value of the consideration received, adjusted for directly attributable transaction costs, and subsequently at amortised cost.

The Company derecognises a financial liability, or part of a financial liability, when it discharges the obligation or is legally released from primary responsibility for the obligation through a judicial proceeding or by the creditor.

An exchange between the Company and the counterparty of debt instruments with substantially different terms and substantial modifications of the terms of initially recognised liabilities are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

The Company considers that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability.

If the exchange is accounted for as an extinguishment of the original financial liability, any costs or fees incurred are recognised in the statement of profit or loss as part of the gain or loss on the extinguishment. Otherwise, any costs or fees adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability. In the latter case, the new effective interest rate is determined at the modification date, which is the discount rate that equates the carrying amount of the financial liability at that date to the present value of the cash flows payable under the new terms.

The Company has arranged reverse factoring facilities with several banks to manage payments to suppliers. Trade payables whose settlement is managed by banks are recorded under "Trade and other payables" in the balance sheet until they are paid, settled or mature.

#### 4.5.3 Equity instruments

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

Equity instruments issued by the Company are recognised in equity for the amount of proceeds received, net of issue costs.

Treasury shares acquired by the Company in the year are recognised at the value of the consideration paid and are deducted directly from equity. Any gain or loss on the acquisition, sale, issue or cancellation of own equity instruments is recognised directly in equity and not in profit or loss.

#### 4.5.4 Hedges

The Company uses derivative financial instruments to hedge the risks to which its businesses, operations and future cash flows are exposed. Basically, these risks relate to changes in exchange rates. Under the scope of these transactions, the Company enters into hedging instruments.

For these financial instruments to qualify for hedge accounting, on inception the Company formally designates and documents the hedging relationship. In addition, the Company verifies, both at inception and regularly over the term of the hedge (at least at the end of each reporting period) that the hedge is effective; i.e. it can expect, prospectively, changes in the fair value or cash flows of the hedged item (attributable to the hedged risk) to be almost entirely offset by changes in the fair value or cash flows of the hedging instruments, and, retrospectively, the results of the hedge are within a range of 80% to 125% with respect to the results of the hedged item.

The Company used cash flow hedges in the year. With these hedges, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised temporarily in equity and recognised in profit or loss in the reporting period in which the forecast hedged transaction affects profit or loss, except where the hedge relates to a forecast transaction that requires recognition of a non-financial asset or liability. In this case, the amounts recognised in equity are included in the cost of the asset or liability when it is acquired or assumed.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised or when it no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in equity remains in equity until the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in equity is recognised in profit or loss.

#### **4.6. Inventories**

##### Programme rights

Programme rights and inventories are measured, based on their nature, as follows:

- 1.- Inventoriable in-house productions (programmes produced to be rerun, such as fiction series) are measured at acquisition and/or production cost, which includes both external costs billed by third parties for programme production and for the acquisition of resources, and internal production costs, which are calculated by applying previously determined internal rates on the basis of the time during which operating resources are used in production. The costs incurred in producing the programmes are recognised, based on their nature, under the appropriate headings in the statement of profit or loss and are included under "Programme rights" in the balance sheet with a credit to "Procurements - Inventories" in the accompanying statement of profit or loss.

Amortisation of these programmes is recognised under "Programme amortisation and other" in the statement of profit or loss, on the basis of the number of showings. Following the analyses performed by the Company of actual showings of this type of programme, series broadcast weekly are amortised at 99% of the production cost when the first showing of each episode is broadcast and at 1% when the broadcast is repeated. Series broadcast daily are amortised in full when first broadcast. In any event, the maximum period for the amortisation of programmes is three years, after which the unamortised amount is written off.

- 2.- Non-inventoriable in-house productions (programmes produced to be shown only once) are measured using the same methods and procedures as those used to measure inventoriable in-house productions. Programmes produced and not shown are recognised at year-end under "Programme rights - In-house productions and productions in progress" in the balance sheet. The cost of these programmes is recognised as an expense under "Programme amortisation and other" in the statement of profit or loss at the time of the first showing.

- 3.- Rights on external productions (films, series and other similar productions) are measured at acquisition cost. These rights are deemed to have been acquired when the term of the right commences for the Company. Payments made to external production distributors prior to the commencement of the term of the rights are recognised under "Advances to suppliers" in the balance sheet.

When payments to external production distributors are made in foreign currency, these rights are recognised in the balance sheet by applying the spot exchange rate prevailing when the term of the right commences to the foreign currency amount.

Also, the initial value of all the external productions acquired by the Company for which derivative instruments designated as cash flow hedges were arranged in order to hedge foreign currency risk includes:

- the portion of the cumulative gain or loss on the hedging instrument recognised in equity (effective hedge) at the beginning of the term of the right; and
- the accumulated exchange gains or losses on that date for payments made prior to the commencement of the term of the right.

The amortisation of the rights is recognised under "Programme amortisation and other" in the statement of profit or loss, on the basis of the number of showings, at the rates shown below, which are established on the basis of the number of showings contracted:

FILMS	Number of showings contracted		
	1	2	3 or more
1st showing	100%	50%	50%
2nd showing	-	50%	30%
3rd showing	-	-	20%

SERIES	Number of showings contracted	
	1	2 or more
1st showing	100%	50%
2nd showing	-	50%

There are no assets specifically acquired to be amortised within a period of over 12 months. All the programme assets are subject to amortisation, i.e. included in the operating cycle, once they are recognised as assets. It is not possible to ascertain which assets will be amortised beyond the period of 12 months. The programming policy has differing degrees of specificity depending on when the programme schedules are prepared. The Company estimates the total amount which would be amortised beyond that year, based on past experience and the approximate estimate of amortisation.

- 4.- Live broadcasting rights are measured at cost. The cost of these rights is recognised as an expense under "Programme amortisation and other" in the statement of profit or loss at the time of broadcast of the event on which the rights were acquired.

#### Raw and other materials

Dubbings, sound tracks, titles and signature tunes of external productions are stated at acquisition or production cost. The amortisation of rights is recorded under "Programme amortisation and other" in the statement of profit or loss at the time of the showing, using the same methods as those used for external productions.

Other inventories are recorded at acquisition cost and are allocated to profit or loss by the effective or actual amortisation method over the production period.

#### Impairment losses on programme rights

The Company recognises an impairment allowance to reduce the unamortised value of in-house productions and of the rights on external productions which it considers will not be shown. When these rights expire, the valuation adjustments are applied to cancel the costs.

### Classification of programmes

In accordance with the Spanish National Chart of Accounts, programme inventories are classified as current assets on the basis of the normal operating cycle and standard practice in the industry in which the Company operates. However, programmes are amortised over several years (see Note 11).

### **4.7 Foreign currency transactions**

The Company's functional currency is the euro. Therefore, transactions in other currencies are considered to be denominated in foreign currency and are recognised at the exchange rates prevailing at the dates of the transactions.

At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated to euros at the rates then prevailing. Any resulting gains or losses are recognised directly in the statement of profit or loss in the year in which they arise.

Monetary assets and liabilities measured at fair value that are denominated in foreign currencies are translated at the exchange rates prevailing at the date when the fair value was determined. The resulting gains or losses are recognised in equity or in profit or loss by applying the same methods as those used to recognise changes in fair value, as described in Note 4.5 on financial instruments.

### **4.8 Income tax**

Tax expense (tax income) comprises current tax expense (current tax income) and deferred tax expense (deferred tax income).

Current tax is the amount of taxes payable by the Company as a result of income tax or other tax settlements for a period. Deductions and other tax relief applicable to payable taxes, excluding withholdings and payments on account, and tax loss carryforwards and credits applied in the current reporting period are accounted for as a reduction in current tax.

Deferred tax expense or income relates to the recognition and settlement of deferred tax assets and liabilities. These include the temporary differences, measured at the amount expected to be payable or recoverable, between the carrying amounts of assets and liabilities and their tax bases, as well as the carry forward of unused tax credits. These amounts are measured by applying to the relevant temporary difference or tax credit the tax rate at which they are expected to be realised or settled.

Current and deferred tax expense (income) are recognised in profit or loss except where they relate to a transaction or event which is recognised in the same or a different period in equity or arise from a business combination.

The Company began filing consolidated tax returns in 2001 with other Group companies indicated in Note 16.

In addition to the aforementioned parameters used for the purposes of individual taxation, the determination of the income tax expense of the companies filing consolidated tax returns also takes into account the following:

- The temporary and permanent differences arising as a result of the elimination of the results of intra-Group transactions in the process used to calculate consolidated taxable profit or tax loss.



- The tax credits and tax relief of each company in the consolidated tax group; for these purposes, the tax credits or tax relief are allocated to the company that performed the activity or obtained the income required to give entitlement to the tax credit or tax relief.
- The temporary differences arising as a result of the elimination of the results of intra-tax group transactions are recognised in the company that has generated the result and are measured at the tax rate applicable to it.

The portion of the tax losses reported by certain Group companies that has been offset by the other consolidated Group companies gives rise to the recognition of a reciprocal receivable and payable between the companies that reported the losses and the companies that offset them. If there are any tax losses that cannot be offset by the other consolidated Group companies, the related tax loss carryforwards are recognised as deferred tax assets, considering the tax group to be the taxpayer for their recovery.

The Parent of the Group recognises the total consolidated income tax payable (or recoverable) with a charge (credit) to tax receivable from or tax payable to Group companies and associates.

The payables to or receivables from subsidiaries are recognised with a credit or charge, respectively, to payables to and receivables from Group companies and associates.

Deferred tax liabilities are recognised for all taxable temporary differences, except for those arising from the initial recognition of goodwill or of other assets and liabilities in a transaction that is not a business combination and affects neither accounting profit (loss) nor taxable income (tax loss).

Deferred tax assets are only recognised to the extent that it is considered probable that the Company will have future taxable income to enable their application.

Deferred tax assets and liabilities relating to items recognised directly in equity are recognised in equity.

Recognised deferred tax assets are reassessed at the end of each reporting period and the appropriate adjustments are made where there are doubts as to their future recoverability. Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Unless the presumption is rebutted, it is considered unlikely that the Company will have sufficient future taxable profits when it is foreseen that the assets will be recovered within a period of more than 10 years from the reporting date, independently of the nature of the deferred tax asset, or in the case of tax credits and other tax benefits not yet used for tax purposes due to not having sufficient tax payable, when, having carried out the activity giving rise to that tax credit or tax relief or having obtained the income giving rise to that tax credit or tax relief, there are reasonable doubts as to the fulfilment of the requirements to effectively use them.

The Company only recognises deferred tax assets from the carry forward of tax losses to the extent that it is likely that taxable future profit will be obtained to enable such tax losses to be utilised within a period not exceeding the term provided for in the applicable tax legislation, with a maximum limit of 10 years, unless there is evidence that their recovery is likely within a period of more than 10 years, where tax legislation allows them to be offset within a period of more than 10 years or sets no time limit for their offset.

#### **4.9 Revenue and expenses**

Revenue and expenses are recorded according to the accruals principle, that is, at the moment the goods or services transactions represented by them take place, regardless of when actual payment or collection occurs. Revenue is measured at the fair value of the consideration received less discounts and taxes.

Revenue from the sale of goods is recognised when the Company has transferred to the buyer the significant risks and rewards of ownership of the good sold, and retains neither continuing managerial involvement nor effective control over the goods sold.

Revenue from the rendering of services is recognised when the outcome of the transaction can be estimated reliably, taking into account the stage of completion of the transaction at the reporting date.

At present, the Company basically obtains revenue from the sale of advertising space. This revenue is recognised in the statement of profit or loss when the related advertising spot is broadcast.

Interest income from financial assets is recognised using the effective interest method and dividend income is recognised when the shareholder's right to receive payment is established. In any event, interest and dividends accrued on financial assets after acquisition are recognised as income.

#### **4.10 Provisions and contingencies**

In preparing the financial statements, the Company's directors made a distinction between:

- Provisions: the Company recognises provisions when it has a present obligation (legal or constructive) as a result of a past event, and a reliable estimate can be made of the amount of the obligation.
- Contingent liabilities: possible obligations arising from past events, whose future existence will be confirmed by the occurrence or non-occurrence of one or more future events not wholly within the control of the Company.
- Provisions for termination benefits: termination benefits for involuntary termination are recognised when there is a formal plan for the termination and a valid expectation among the affected employees that the employment will be terminated either because the plan has started or because its main characteristics have been published.

The financial statements include all provisions for which it is considered more likely than not that the corresponding obligation will have to be settled. Contingent liabilities are not recognised in the financial statements, but rather are disclosed, unless the possibility of an outflow of resources is considered to be remote.

Provisions are measured at the present value of the best estimate of the amount required to settle the obligation or transfer it, taking into account the information available on the event and its consequences. Adjustments arising from the discounting of the provision are recognised as a finance expense when accrued.

Reimbursement receivable from another party on settlement of the obligation is recognised as an asset, provided that the reimbursement is virtually certain, unless there is a legal relationship whereby a portion of the risk has been externalised as a result of which the Company is not liable; in this situation, the reimbursement is taken into account for the purpose of estimating the amount of the related provision that should be recognised.

#### **4.11 Environmental assets and liabilities**

Environmental assets are deemed to be assets used on a lasting basis in the Company's operations whose main purpose is to minimise environmental impact and protect and restore the environment, including the reduction or elimination of pollution in the future.

Given the Company's activities, it has no environmental liabilities, expenses, assets, provisions or contingencies that could have a significant effect on its equity, financial position and results. Therefore, no specific disclosures relating to environmental issues are included in these notes to the financial statements.

#### **4.12 Business combinations**

Business combinations are accounted for using the acquisition method, which requires determination of the acquisition date and calculation of the cost of the combination. The acquirer recognises the identifiable assets acquired and the liabilities assumed at their acquisition-date fair value.

Goodwill or gains from a bargain purchase arising on the combination is calculated as the difference between the aggregate of the acquisition-date fair value of the recognised assets acquired and liabilities assumed and the cost of the business combination.

The cost of a business combination is the sum of:

- the acquisition-date fair value of the assets transferred, the liabilities incurred or assumed and the equity instruments issued; and
- the fair value of any contingent consideration that depends on future events or compliance with certain pre-determined conditions.

Costs related to the issue of equity instruments or the financial liabilities given as consideration for the acquired assets and liabilities are not included in the cost of the business combination.

In addition, since January 1, 2010, the cost of a business combination also does not include the fees paid to legal advisers and other professionals involved in the combination, or any costs incurred internally in this connection. These amounts are charged directly to profit or loss.

In the exceptional event that a gain from bargain purchase arises on the combination, the gain is accounted for as income in the statement of profit or loss.

If the measurement process required for the application of the acquisition method is incomplete by the end of the reporting period in which the combination occurs, the accounting is considered provisional. The provisional values may be adjusted over the necessary period to obtain the information required. This period shall not exceed one year. The effects of the adjustments made are accounted for retrospectively, with comparative information also adjusted retrospectively as necessary.

Changes in fair value of the contingent consideration are adjusted against profit or loss, except where the contingent consideration is classified as equity, in which case subsequent changes in fair value are not recognised.

#### **4.13 Related party transactions**

The Company carries out all transactions with related parties at arm's length. In addition, transfer prices are adequately supported, so the Company's directors consider that there are no material risks in this connection that could lead to significant liabilities in the future.

#### **4.14 Current and non-current items**

Current assets are assets associated with the normal operating cycle, which in general is considered to be one year; other assets which are expected to mature, be disposed of or be realised within 12 months from the end of the reporting period, financial assets held for trading, except for financial derivatives that will be settled in a period exceeding one year; and cash and cash equivalents. All other assets are classified as non-current.

Similarly, current liabilities are liabilities associated with the normal operating cycle, financial liabilities classified as held for trading, except financial derivatives that will be settled in more than one year, and, in general, all liabilities expected to fall due or to be extinguished in the short term. All other liabilities are classified as non-current.

#### **4.15 Share-based payments**

The Company has a remuneration scheme entailing the delivery of shares to certain directors and senior executives (see Note 19.3).

Payments made to beneficiaries through the issue of equity instruments are recognised by applying the following criteria:

- If the equity instruments granted vest immediately upon being granted, the services received are recognised with a charge to profit or loss and an increase in "Other equity instruments";
- If the equity instruments granted vest when the beneficiaries complete a specified period of service, the services received are recognised over the vesting period with a credit to "Other equity instruments".

The Company determines the fair value of the instruments granted to beneficiaries on the grant date.

The market vesting conditions are considered when the fair value of the instrument is determined. Vesting conditions, other than market conditions, are taken into account by adjusting the number of equity instruments included in the measurement of the amount of the transaction, so that, ultimately, the amount recognised for services received is based on the number of equity instruments that eventually vest. Consequently, the Company recognises the amount for the services received over the vesting period, based on the best estimate of the number of instruments that will vest, and this estimate is revised based on the rights expected to vest.

Once the services received and the corresponding increase in "Other equity instruments" are recognised, no additional adjustments are made to equity after the vesting date, without prejudice to making the corresponding reclassifications in equity.

If the Company withholds equity instruments to pay the income tax of the beneficiary to the taxation authority, the plan is treated as having been settled in full in equity instruments, except for the portion of the instruments withheld that exceed the fair value of the tax obligation.

## 5.- Intangible assets

Changes in intangible assets in the balance sheet in 2019 and 2018 (in thousands of euros):

Thousands of euros	Balance at 1/1/19	Additions or charges	Disposals or reductions	Transfers	Balance at 31/12/19
<b>Cost</b>					
Licences	60.666	-	-	-	60.666
Trademarks	15.819	-	-	-	15.819
Intellectual property	457	-	-	25	482
Computer software	59.025	-	(20)	4.717	63.722
Other intangible assets	2.242	-	-	-	2.242
Intangible assets in progress	-	4.742	-	(4.742)	-
	<b>138.209</b>	<b>4.742</b>	<b>(20)</b>	<b>-</b>	<b>142.931</b>
<b>Accumulated amortisation</b>					
Licences	(18.201)	(6.067)	-	-	(24.268)
Trademarks	(4.944)	(791)	-	-	(5.735)
Intellectual property	(348)	(54)	-	-	(402)
Computer software	(47.864)	(4.934)	20	-	(52.778)
Other intangible assets	(1.832)	(103)	-	-	(1.935)
	<b>(73.189)</b>	<b>(11.949)</b>	<b>20</b>	<b>-</b>	<b>(85.118)</b>
<b>Total</b>	<b>65.020</b>	<b>(7.207)</b>	<b>-</b>	<b>-</b>	<b>57.813</b>

Thousands of euros	Balance at 1/1/18	Additions or charges	Disposals or reductions	Transfers	Balance at 31/12/18
<b>Cost</b>					
Licences	60.666	-	-	-	60.666
Trademarks	15.819	-	-	-	15.819
Intellectual property	304	-	-	153	457
Computer software	53.553	-	-	5.472	59.025
Other intangible assets	2.242	-	-	-	2.242
Intangible assets in progress	-	5.625	-	(5.625)	-
	<b>132.584</b>	<b>5.625</b>	<b>-</b>	<b>-</b>	<b>138.209</b>
<b>Accumulated amortisation</b>					
Licences	(12.134)	(6.067)	-	-	(18.201)
Trademarks	(4.153)	(791)	-	-	(4.944)
Intellectual property	(304)	(44)	-	-	(348)
Computer software	(43.424)	(4.440)	-	-	(47.864)
Other intangible assets	(1.373)	(459)	-	-	(1.832)
	<b>(61.388)</b>	<b>(11.801)</b>	<b>-</b>	<b>-</b>	<b>(73.189)</b>
<b>Total</b>	<b>71.196</b>	<b>(6.176)</b>	<b>-</b>	<b>-</b>	<b>65.020</b>

The Company had the following fully amortised intangible assets still in use in 2019 and 2018 (in thousands of euros):

Description	Gross carrying amount	
	2019	2018
Computer software	43.395	38.339
Other intangible assets	1.855	1.730
<b>Total</b>	<b>45.250</b>	<b>40.069</b>

## 6.- Property, plant and equipment

Changes in property, plant and equipment and the most significant information affecting this item in 2019 and 2018 (in thousands of euros):

	Balance at 1/1/19	Additions or charges	Disposals or reductions	Transfers	Balance at 31/12/19
<b>Cost</b>					
Land and buildings	60.804	-	(117)	1.141	61.828
Plant and machinery	122.357	-	(4.869)	3.251	120.739
Other fixtures and tools	77	-	(17)	-	60
Furniture	7.879	75	(1.306)	186	6.834
Computer hardware	28.828	-	(706)	648	28.770
Transport equipment and other items of property, plant and equipment	110	-	(89)	-	21
Property, plant and equipment in progress	25	5.287	-	(5.227)	85
	<b>220.080</b>	<b>5.362</b>	<b>(7.104)</b>	<b>(1)</b>	<b>218.337</b>
<b>Accumulated depreciation</b>					
Land and buildings	(37.500)	(1.355)	117	-	(38.738)
Plant and machinery	(108.188)	(6.171)	4.868	-	(109.491)
Other fixtures and tools	(77)	-	17	-	(60)
Furniture	(7.156)	(206)	1.305	-	(6.057)
Computer hardware	(25.805)	(1.620)	704	-	(26.721)
Transport equipment and other items of property, plant and equipment	(110)	-	90	-	(20)
	<b>(178.837)</b>	<b>(9.352)</b>	<b>7.101</b>	<b>-</b>	<b>(181.088)</b>
<b>Total</b>	<b>41.243</b>	<b>(3.990)</b>	<b>(3)</b>	<b>(1)</b>	<b>37.249</b>

	Balance at 1/1/18	Additions or charges	Disposals or reductions	Transfers	Balance at 31/12/18
<b>Cost</b>					
Land and buildings	56.941	-	-	3.863	60.804
Plant and machinery	114.575	-	(2.079)	9.861	122.357
Other fixtures and tools	77	-	-	-	77
Furniture	7.893	-	(272)	258	7.879
Computer hardware	29.805	-	(1.987)	1.010	28.828
Transport equipment and other items of property, plant and equipment	110	-	-	-	110
Property, plant and equipment in progress	121	14.896	-	(14.992)	25
	<b>209.522</b>	<b>14.896</b>	<b>(4.338)</b>	<b>-</b>	<b>220.080</b>
<b>Accumulated depreciation:</b>					
Land and buildings	(36.142)	(1.358)	-	-	(37.500)
Plant and machinery	(104.381)	(5.886)	2.079	-	(108.188)
Other fixtures and tools	(77)	-	-	-	(77)
Furniture	(7.290)	(138)	272	-	(7.156)
Computer hardware	(25.595)	(2.197)	1.987	-	(25.805)
Transport equipment and other items of property, plant and equipment	(110)	-	-	-	(110)
	<b>(173.596)</b>	<b>(9.579)</b>	<b>4.338</b>	<b>-</b>	<b>(178.837)</b>
<b>Total</b>	<b>35.926</b>	<b>5.317</b>	<b>-</b>	<b>-</b>	<b>41.243</b>

The Company owns individually significant property with the following separate value of construction (net of depreciation) and that of the land at the end of 2019 and 2018 (in thousands of euros):

Property	2019	2018
Land	11.517	11.517
Buildings	11.573	11.788
<b>Total</b>	<b>23.090</b>	<b>23.305</b>

In 2019, the Company derecognised items of property, plant and equipment, giving rise to a net gain of EUR 38 thousand (2018: net gain of EUR 5 thousand).

The Company had the following fully depreciated items of property, plant and equipment still in use in 2019 and 2018 (in thousands of euros):

Description	Gross carrying amount	
	2019	2018
Plant	99.499	98.669
Buildings	24.311	23.940
Computer hardware	23.672	21.945
Furniture	5.578	6.866
Other property, plant and equipment	269	374
<b>Total</b>	<b>153.329</b>	<b>151.794</b>

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The Company's policy is to arrange insurance policies to cover potential risks that could affect its items of property, plant and equipment. At the end of 2019 and 2018, there was no shortage of cover of these risks.

## 7.- Leases

At the end of 2019 and 2018, the Company, as a lessor under operating leases, had annual lease arrangements with certain Group companies for facilities and other minor multi-year lease arrangements with non-Group companies. Since the leased facilities are in the same building as the Company, they are not considered investment property included in the Company's assets.

Income from operating leases in 2019 amounted to EUR 387 thousand (2018: EUR 384 thousand).

## 8.- Non-current and current investments

### 8.1 Non-current investments

Breakdown of non-current investments at year-end 2019 and 2018 (in thousands of euros):

	2019	2018
<b>Financial assets held for trading</b>		
Hedging derivatives (Note 10)	15.057	6.058
<b>Available-for-sale financial assets</b>		
Measured at fair value (Note 19.2)	25.414	24.730
Measured at cost (Note 19.2)	-	-
<b>Loans and receivables</b>		
Non-current guarantees and deposits	97	117
<b>Total</b>	<b>40.568</b>	<b>30.905</b>

Available-for-sale financial assets includes the fair value of non-current investments in the equity instruments of companies over which the Company does not exercise significant influence in accordance with Rule for the Preparation of Financial Statements no. 13 since it does not participate in the setting of financial or commercial policies. This item relates to the Company's strategy of diversifying the sources of growth other than advertising revenues through investments using the model of broadcasting advertising in exchange for an ownership interest in a company. In 2019, shares of a number of companies were transferred to Atresmedia Capital, S.L. Unipersonal for a net amount of EUR 7,292 thousand. Key investments retained include Fever Labs Inc., Glovo App23, S.L., JobToday, S.A. and Bady App2015 S.L., which represent a combined 90% of the total investment made.

Of the change in fair value recognised in 2019, EUR 5,100 thousand related to revaluations recognised directly in equity.

## 8.2 Current investments

Balance of current investments at 31 December 2019 and 2018 (in thousands of euros):

	2019	2018
<b>Derivatives</b>		
Derivatives (Note 10)	3.814	3.002
<b>Available-for-sale financial assets</b>		
Measured at cost (Note 19.2)	1.400	3.092
<b>Loans and receivables</b>		
Current guarantees and deposits	3.302	2.933
<b>Total</b>	<b>8.516</b>	<b>9.027</b>

## 8.3 Non-current investments in group companies and associates

Breakdown of non-current investments in group companies and associates at year-end 2019 and 2018 (in thousands of euros):

	2019	2018
Investments in group companies and associates (Note 19.2)	114.779	115.793
Non-current loans to group companies and associates (Note 19.2)	35.363	65.692
<b>Total</b>	<b>150.142</b>	<b>181.485</b>

Information on investments in **group companies and associates**:

Company name	Registered address	2019 %	2018 %	Activity
Antena 3 Multimedia, S.L.U.	Madrid	100	100	Audiovisual services
Antena 3 Noticias, S.L.U.	Madrid	100	100	Audiovisual productions
Atres Advertising, S.L.U.	Madrid	100	100	Advertising management
Atresmedia Cine, S.L.U.	Madrid	100	100	Audiovisual productions
6&M Producciones y Contenidos Audiovisuales, S.L.U. (*)	Madrid	100	100	Audiovisual productions
Atresmedia Música, S.L.U.	Madrid	100	100	Management of music rights
Atresmedia Studios, S.L.U.	Madrid	100	100	Production, distribution, dissemination and marketing of audiovisual content
Atresmedia Capital, S.L.U. (**)	Madrid	100	100	Holding company
Música Aparte, S.A.U.	Madrid	100	100	Management of copyrights
Uniprex, S.A.U.	Madrid	100	100	Radio broadcasting services
I3 Televisión, S.L.	Madrid	100	50	Provision of IT services
Hola Televisión América, S.L.	Madrid	50	50	Audiovisual communication services
TVI Televisao Independente, S.A.	Lisbon	0,001	0,001	Television

(\*) Formerly Atresmedia Foto, S.L.U.

(\*\*) Formerly Flooxplay, S.L.U.

Company name	Cost	Impairment loss for the year	Accumulated impairment losses	Share capital	Profit/(loss) from operations	Profit/(loss) for the year	Other equity	Total equity	Dividends received
Antena 3 Multimedia, S.L.U.	3	-	-	3	11	14	238	241	-
Antena 3 Noticias, S.L.U.	4.233	594	(2.698)	3	15.766	12.140	373	376	1.470
Atres Advertising, S.L.U.	3	-	-	3	15.766	12.140	373	376	12.000
Atresmedia Cine, S.L.U.	34.022	(1.876)	(28.619)	1.900	(895)	(1.876)	3.503	5.403	-
6&M Producciones y Contenidos Audiovisuales, S.L.U. (*)	1.629	629	(940)	50	839	629	39	89	600
Atresmedia Música, S.L.U.	102	-	-	3	135	103	225	228	-
Atresmedia Studios, S.L.U.	6.622	(528)	(6.586)	203	(673)	(528)	(168)	35	-
Atresmedia Capital, S.L.U. (**)	1.107	-	(1.105)	3	(2)	(1.914)	(1.914)	(1.911)	-
Música Aparte, S.A.U.	60	-	-	60	6.998	5.254	266	326	5.100
Uniprex, S.A.U.	106.635	-	-	900	(635)	(1.264)	102.451	103.351	-
I3 Televisión, S.L.	1.191	(372)	(881)	310	82	80	-	310	-
Atres Hub Factory, S.L.	-	-	-	-	-	-	-	-	-
Hola Televisión América, S.L.	6.175	-	(6.174)	3.089	(13)	(38)	8.001	11.090	-
TVI Televisao Independente, S.A.	2.016	-	(2.016)	-	-	-	-	-	-
<b>Total</b>	<b>163.798</b>	<b>(1.553)</b>	<b>(49.019)</b>	<b>6.527</b>	<b>37.379</b>	<b>24.740</b>	<b>113.387</b>	<b>119.914</b>	<b>19.170</b>

(\*) Formerly Atresmedia Foto, S.L.U.

(\*\*) Formerly Flooxplay, S.L.U.

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Company name	Cost	Impairment loss for the year	Accumulated impairment losses	Share capital	Profit/(loss) from operations	Profit/(loss) for the year	Other equity	Total equity	Dividends received
Antena 3 Multimedia, S.L.U.	3	-	-	3	(5)	21	203	227	-
Antena 3 Noticias, S.L.U.	4.233	403	(3.291)	6	586	403	533	942	-
Atres Advertising, S.L.U.	3	-	-	3	36.448	26.945	(26.713)	235	30.287
Atresmedia Cine, S.L.U.	34.022	(4.435)	(26.743)	1.900	1.661	(4.435)	9.815	7.280	-
6&M Producciones y Contenidos Audiovisuales, S.L.U. (*)	1.629	12	(1.569)	50	89	12	(2)	60	-
Atresmedia Música, S.L.U.	102	87	-	3	145	109	12	124	-
Atresmedia Studios, S.L.U.	6.621	(440)	(6.058)	203	(555)	(441)	801	563	-
Flooxplay, S.L.U.	1.109	(254)	(1.106)	3	(372)	(252)	252	3	-
Música Aparte, S.A.U.	60	-	-	60	8.529	6.418	(6.306)	172	9.720
Uniprex, S.A.U.	106.635	-	-	900	(617)	(1.352)	105.067	104.615	-
I3 Televisión, S.L.	575	(129)	(509)	310	(251)	(252)	73	131	-
Atres Hub Factory, S.L.	244	(43)	(167)	100	(94)	(94)	148	154	-
Hola Televisión América, S.L.	6.174	(412)	(6.174)	3.089	(22)	(68)	8.107	11.288	-
TVI Televisao Independiente, S.A.	2.016	-	(2.016)	-	-	-	-	-	-
<b>Total</b>	<b>163.426</b>	<b>(5.211)</b>	<b>(47.633)</b>	<b>6.630</b>	<b>45.542</b>	<b>27.014</b>	<b>91.990</b>	<b>125.634</b>	<b>40.007</b>

(\*) Formerly Atresmedia Foto, S.L.U.

Non-current loans to group companies and associates (in thousands of euros):

Loans	Balance at 1/1/19	Additions	Transfers	Disposals	Balance at 31/12/19
Uniprex, S.A.U.	16.000	-	(16.000)	-	-
Atresmedia Cine, S.L.U.	49.107	-	(14.204)	-	34.903
Promofarma	460	-	-	-	460
Atres Hub Factory, S.L.	125	-	(125)	-	-
<b>Total</b>	<b>65.692</b>	<b>-</b>	<b>(30.329)</b>	<b>-</b>	<b>35.363</b>

Loans	Balance at 1/1/18	Additions	Transfers	Disposals	Balance at 31/12/18
Uniprex, S.A.U.	26.000	-	(10.000)	-	16.000
Atresmedia Cine, S.L.U.	57.454	-	(8.347)	-	49.107
Promofarma	-	460	-	-	460
Atres Hub Factory, S.L.	125	-	-	-	125
<b>Total</b>	<b>83.579</b>	<b>460</b>	<b>(18.347)</b>	<b>-</b>	<b>65.692</b>

In December 2012, the Company granted a loan to Uniprex, S.A.U. for a total amount of EUR 100,000 thousand, EUR 90,000 thousand of which were non-current, with annually maturity between 2014 and 2020 bearing fixed interest of 4.5%, reviewed annually. In 2019, EUR 16,000 thousand were transferred to current (see Note 19.2).

In addition, the Company granted a loan to Atresmedia Cine, S.L. Unipersonal (formerly Antena 3 Films, S.A. Unipersonal), which matures on 31 December 2021 and has a limit of EUR 150,000 thousand. This loan earns interest at a fixed annual market rate. The amount drawn down at 31 December 2019 was EUR 34,903 thousand (see Note 19.2).

The most representative acquisitions and sales of ownership interests in other entities and other significant corporate transactions in 2019 were as follows:

- A purchase agreement was entered into on 30 April 2019 whereby the Company acquired 155 shares of I3 Televisión, S.L. representing 50% of its share capital, for EUR 1. This increased the ownership interest in this company to 100%. Prior to this acquisition a contribution of EUR 387 thousand was made to owners to offset prior years' losses. On 31 December 2019, a further contribution of EUR 229 thousand was made to offset losses.

- On 27 September 2019, Atres Hub Factory, S.L. increased capital through the set-off of receivables. This entailed an outlay of EUR 375 thousand (EUR 9 thousand related to the par value and EUR 366 thousand to the share premium) through the set-off and partial capitalisation of credits held by the Company. This did not result in a change in the percentage of ownership.

On 16 December 2019, the Company transferred its shares in Atres Hub Factory, S.L. to Atresmedia Capital, S.L. Unipersonal, with no impact on profit or loss for the year.

- On 16 December 2019, subsidiary Flooxplay, S.L. Unipersonal changed its name to Atresmedia Capital, S.L. Unipersonal and its corporate objects to include the acquisition, ownership, use and transfer of all manner of shares, debentures, equity interests and public and private securities, and the management, administration and control of its portfolio of investees as a holding company.

The most representative acquisitions and sales of ownership interests in other entities and other significant corporate transactions in 2018 were as follows:

- On 15 February 2018, the Company made a capital and share premium contribution of EUR 103 thousand and EUR 309 thousand, respectively, to associate Hola Televisión América, S.L. This did not result in any increase in its ownership interest in the company.

- On 26 November 2018, the deed for the change in corporate name of subsidiary Atresmedia Foto, S.L. Unipersonal, to 6&M Producciones y Contenidos Audiovisuales, S.L. Unipersonal, was placed on public record.

- In December 2018 the Company contributed capital to offset losses of EUR 698 thousand to its subsidiary Atresmedia Foto, S.L. Unipersonal and EUR 252 thousand to subsidiary Flooxplay, S.L. Unipersonal. These transactions did not result in a change in the percentage of ownership.

None of Atresmedia Corporación de Medios de Comunicación, S.A.'s investees are listed on Spanish or foreign stock exchanges.

At the end of each year or period, the directors assess the business plans of the Company's investees, revise them if necessary and estimate the value of the ownership interests and the recoverability of the investments made.

For Uniprex, S.A. Unipersonal, the key assumptions on which the cash flow projections are based relate mainly to advertising markets (the data relate to scenarios used by market participants to set prices, based on a consensus among analysts, who are independent third parties, employed by the industry in general), audience figures, advertising efficiency ratios and cost forecasts. Except for advertising, which is measured on the basis of external information sources, the rest of the assumptions are based on past experience and reasonable projections approved by management of the Company and updated in accordance with the performance of the advertising markets.

These future projections cover the next five years. The cash flows for the years not considered in the projections are estimated to be perpetual, with growth of 2%.

In assessing value in use, the estimated cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the assets. To calculate the rate, the current time value of money and the risk premiums generally used by analysts for the business and geographical area (Spain) are taken into account, giving rise to future discount rates of 8.2% in 2019 and 9.5% in 2018.

The Company also performs sensitivity analyses when there are reasonably possible changes in the key assumptions used to calculate the recoverable amounts of the radio CGU. In this respect, the sensitivity analyses are prepared under various scenarios on the basis of the variables deemed most significant, i.e. advertising revenue, which depends mainly on the performance of the advertising market and the investment share, and the discount rate. Forecasts point to moderate growth in the advertising market, of 1.4%, in line with levels of recent years, with Uniprex maintaining its market share. Certain adjustments are also expected in programming expenses in less commercial time slots. As a result, EBITDA stands to grow by about 6% on average over the next five years.

The sensitivity analysis conducted demonstrates that an increase in the perpetual growth rate of 1.0% would give rise to an increase in value of EUR 30 million, whereas a decrease in the perpetuity growth rate of 1.0% would give rise to a decrease in value of EUR 23 million. Also, a 1.0% decrease in the discount rate would give rise to an increase of EUR 38 million, and a 1.0% increase in the discount rate would give rise to a decrease of EUR 28 million. The changes in value used in all these sensitivity analyses would not reduce the recoverable amount to below the carrying amount. The point from which carrying amount would exceed recoverable value would be around a cumulative annual market decline of around 1% per year over five years.

For investments for which business plans are not available, impairment is estimated on the basis of the company's equity plus the unrealised gains or losses at the end of the year or period.

In 2019, the Company recognised net losses on impairment and reversals of impairment on financial instruments totalling EUR 1,386 thousand (2018: net losses of EUR 5,211 thousand). Impairment losses on investments in group companies and associates amounting to EUR 2,776 thousand were recognised, of which EUR 1,876 thousand related to the impairment recognised on Atresmedia Cine, S.L. Unipersonal. Meanwhile, EUR 1,390 thousand of impairment losses were reversed, of which EUR 629 thousand related to 6&M Producciones y Contenidos Audiovisuales, S.L. Unipersonal, EUR 594 thousand to Antena 3 Noticias, S.L. Unipersonal and EUR 167 thousand to Atres Hub Factory, S.L.

## 9.- Information on the nature and extent of risks arising from financial instruments

The Company's and the Group's risk management and control system is reviewed and updated regularly in response to how the Group's businesses perform and evolve, to risks that actually materialise, to changes in the law, and to how the organisation itself changes and evolves.

This risk management and control system helps the management team to make the right decisions and address risk effectively. We identify and implement any controls and action plans necessary targeting known risks; this enhances our ability to create value and minimises any impact of losses that actually materialise.

Risk analysis and control touches on all the Group's businesses and activities, and involves all our organisational units. This means that risk management and control is a corporate system in which the entire organisation is on alert. The system is headed and overseen by the Board, yet some of its functions are delegated to the Audit and Control Committee. Risk management also brings into play the coordinating role of the Compliance Committee, and input from the Legal Affairs, in risk management and compliance control, Finance, related to financial risks and the controls comprising the system for internal control over financial reporting (ICFR), and, lastly, Internal Audit and Process Control, the coordination and oversight of the overall operation of the risk management system.

### 2019 FINANCIAL STATEMENTS

*Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails*

The Company and the Group have the necessary tools and organisation to ensure the effectiveness of the control procedures approved.

The Company centralises financial risk management in the Finance Department, which has the necessary mechanisms in place to control exposure to fluctuations in interest and exchange rates, as well as to credit and liquidity risk.

The main financial risks to which the Company is exposed are outlined below:

a) Credit risk:

The Company generally places cash and cash equivalents with financial institutions with high credit ratings.

The advertising contracting terms require bank guarantees prior to the launch of advertising campaigns. There is also no significant concentration of credit risk to third parties and no significant incidents arose in the year.

The percentage of past-due receivables at 31 December 2019 was 1.13% (2018: 1.30%).

In any case, the Company estimates allowances for doubtful receivables based on the age of the debt. Allowances for doubtful receivables at 31 December 2019 stood at EUR 4,144 thousand (2018: EUR 4,678 thousand) (see Note 18.4).

b) Liquidity risk:

The Company's liquidity policy is to arrange credit facilities and short-term investments for sufficient amounts to cover funding requirements based on the outlook for the business. All are at floating rates.

In order to guarantee liquidity and meet all payment commitments arising from its activities, the Company has available the cash and cash equivalents shown in the balance sheet, as well as the financing and credit facilities described in Note 14.

c) Foreign currency risk:

Foreign currency risk is concentrated principally in payments in international markets to acquire broadcasting rights. To mitigate this risk, the Company enters into hedging instruments, mainly currency forwards, to hedge its exposure to the USD/EUR forward exchange rate (see Note 10).

d) Interest rate risk:

The Company's cash and borrowings are exposed to interest rate risk, which could have an adverse impact on its financial performance and cash flows. The Company's financing is arranged at interest rates tied to Euribor. To mitigate this risk, the Company has entered into interest rate swaps (IRSs) to reduce its exposure to variable rates (see Note 10).

e) Foreign currency cash flow risk:

The Company uses cross currency swaps that swap capital and interest flows in dollars for other capital and interest flows in euros, fixing the exchange rate and half-yearly coupons of the debt from bonds and debentures at a fixed rate in euros.

## 10.- Derivative financial instruments

The Company uses derivative financial instruments to hedge the risks to which its businesses, operations and future cash flows are exposed. As part of these transactions, the Company has entered into certain hedging financial instruments, as follows.

### Foreign currency hedges

The Company uses currency derivatives to hedge significant future transactions and cash flows in USD and mitigate the foreign currency risk. They relate, in all cases, to cash flow hedges for payment obligations in USD relating to the purchase of broadcasting rights (the underlying), in which the exposure to the EUR/USD exchange rate is hedged (hedged risk), which gives rise to a potential change in the cash flows payable in euros for broadcasting rights. This change affects the profit or loss of the period(s) in which the planned payment transaction has not been performed. The Company applies hedge accounting and documents the hedging relationships and measures their effectiveness as required by standards.

In general, on assumption of the commitment to purchase the broadcasting rights, the Group enters into a foreign currency derivative that expires on the payment dates of the payables to suppliers. A hedging relationship is arranged that covers the entire term of the derivative, i.e. the derivative is considered to be a hedging instrument from its inception (when the commitment to purchase the broadcasting rights is assumed) up to the date of payment of the contracted broadcasting rights. Changes in the fair value of the derivative instrument determined to be an effective hedge are recognised temporarily in equity up to the beginning of the term, when they are transferred to profit or loss in order to offset the impact on profit or loss of changes in the value of the hedged item. Therefore, once the broadcasting rights and the related payables to suppliers are recognised, the changes in fair value of the foreign currency derivatives and in the value of the payables are recognised in the statement of profit or loss at each accounting close.

At 31 December 2019, the Company had entered into hedging instruments on its foreign currency asset and liability positions amounting to USD 56,979 thousand, at a weighted average exchange rate of 1.1802 (USD/EUR). Hedging instruments at 31 December 2018 amounted to USD 69,796 thousand, at a weighted average exchange rate of 1.1861 (USD/EUR).

Total amounts of the outstanding forward currency purchase contracts entered into by the Company at year-end 2019 and 2018:

2019	Classification	Type	Expiry	Amount contracted (thousand euros)	Fair value (thousands of euros)	
					Assets	Liabilities
Currency forwards	Foreign currency hedge	Purchase of USD	2020	36.588	1.632	151
Currency forwards	Foreign currency hedge	Purchase of USD	2021	10.141	199	83
Currency forwards	Foreign currency hedge	Purchase of USD	2022	1.551	28	14

2018	Classification	Type	Expiry	Amount contracted (thousand euros)	Fair value (thousands of euros)	
					Assets	Liabilities
Currency forwards	Foreign currency hedge	Purchase of USD	2019	40.649	942	511
Currency forwards	Foreign currency hedge	Purchase of USD	2020	16.567	300	99
Currency forwards	Foreign currency hedge	Purchase of USD	2021	1.630	25	4

At 31 December 2019, the estimated fair value of the Company's foreign currency derivatives, which are designated and effective as cash flow hedges, represented a financial asset of EUR 1,859 thousand and a financial liability of EUR 248 thousand (2018: asset of EUR 1,267 thousand and liability of EUR 614 thousand). This amount was deferred and recognised in equity, taking into account the tax effect.

The measurement method consists of estimating the present value of the future cash flows that will arise under the terms and conditions arranged by the parties for the derivative instrument. The spot price is taken to be the reference exchange rate of the European Central Bank on 31 December 2019, the swap points (offer/bid), the interest rates prevailing at the measurement date and the credit risk.

The sensitivity analysis of the foreign currency derivative financial instruments demonstrates that changes of +/-10% in the USD/EUR exchange rate prevailing at year-end would give rise to changes in their fair value within a range of EUR +/-5.1 million for hedges whose underlying is in force at year-end, and changes of EUR +/-0.8 million for hedges whose underlying is not yet in force and therefore affect equity. Appreciations in the USD/EUR exchange rate give rise to increases in value, and depreciations to decreases.

The sensitivity analysis of the balances payable to suppliers in USD, shows that changes of +/-10% in the USD/EUR exchange rate prevailing at year-end would give rise to changes in the fair value recognised of around EUR +/-4.0 million, and would be sufficiently offset by the changes in the value of the derivatives entered into.

In 2018, changes of +/-10% in the exchange rate prevailing at year-end would give rise to changes in fair value within a range of EUR +/-6.2 million for hedges whose underlying was in force at year-end and changes of EUR +/-0.5 million for hedges whose underlying not yet in force and therefore affected equity.

### Interest rate hedges

In July 2017, the Company entered into interest rate swaps (IRS) in order to fix the finance cost arising from the variable rates applicable to each of the tranches of the syndicated financing arranged at that date. These IRSs expire in July 2022 and the hedged amount is EUR 105,000 thousand, with an average weighted fixed interest rate of 0.466%. Their fair value at 31 December 2019 was EUR 1,176 thousand, recognised as a non-current financial liability. The fair value of the IRSs at 31 December 2018 related to the syndicated financing arranged at the date was recognised as a financial liability, for EUR 1,501 thousand.

### Cross currency swaps

As indicated in Note 14.1, on 11 July 2018, the Company carried out an issue of bonds for USD 200,000 thousand, with maturity at five years (USD 75,000 thousand) and seven years (USD 125,000 thousand), with semi-annual payment of coupons at a fixed rate of interest. Cross currency swaps have been entered into to hedge the risk of fluctuations of these issuances, resulting in a fixed exchange rate and half-yearly payments of coupons on the bonds and debentures at a fixed rate in euros.

At 31 December 2019, the fair value of the derivative related to the bond issue was recognised as a financial asset for EUR 17,012 thousand, of which EUR 14,830 thousand was recognised under non-current assets and EUR 2,182 thousand under current assets (see Notes 8.1, 8.2 and 14.2). At 31 December 2018, the fair value of this derivative was EUR 7,793 thousand, of which EUR 5,733 thousand was recognised under non-current and EUR 2,060 thousand under current.

## 11.- Inventories

Inventories in the balance sheets at 31 December 2019 and 2018:

Thousands of euros	2019	2018
<b>Programme rights, net-</b>		
Rights on external productions	266.929	314.360
In-house productions and productions in progress	54.185	43.440
Sports broadcasting rights	3.214	3.214
Write-down of inventories of external productions	(28.863)	(30.801)
	<b>295.465</b>	<b>330.213</b>
<b>Raw and other materials</b>		
Dubbing, soundtracks and titles	4.361	4.107
Other materials	1.079	1.190
	<b>5.440</b>	<b>5.297</b>
<b>Advances to suppliers</b>	<b>2.143</b>	<b>3.928</b>
	<b>303.048</b>	<b>339.438</b>

"Advances to suppliers" in the accompanying balance sheets as at 31 December 2019 and 2018 includes basically advances paid in connection with external production commitments and live broadcasting.

Changes in write-downs of inventories in the accompanying balance sheets (in thousands of euros):

	Balance at 1/1/19	Additions	Transfers	Disposals or reductions	Balance at 31/12/19
<b>Write-downs of inventories</b>	<b>(30.801)</b>	<b>(1.219)</b>	<b>-</b>	<b>3.157</b>	<b>(28.863)</b>

	Balance at 1/1/18	Additions	Transfers	Disposals or reductions	Balance at 31/12/18
<b>Write-downs of inventories</b>	<b>(34.385)</b>	<b>-</b>	<b>-</b>	<b>3.584</b>	<b>(30.801)</b>



The write-downs recognised arose as a result of the decision, based on estimates made by the Company, that certain titles would not be marketable and it was not likely that they would form part of the Parent's programme schedule.

At 31 December 2019, the Company had commitments, mainly for the purchase of audiovisual property rights and the production of programmes, amounting to EUR 106,312 thousand (2018: EUR 128,719 thousand). In addition, the Company has purchase commitments to distributors, the definitive amount and price of which will be determined once the programmes are produced and, in certain cases, by establishing the acquisition price on the basis of box-office takings. The best estimate of these commitments amounted to EUR 68,021 thousand (2018: EUR 85,430 thousand).

Inventoriable in-house productions are expected to be amortised in full and approximately EUR 137,000 thousand of external production rights will be amortised in 2020 (see Note 4.6).

## 12.- Equity and shareholders' equity

Shareholder structure at year-end 2019:

	% ownership
Grupo Pasa Cartera, S.A. Unipersonal	41,70
Ufa Film und Fernseh GmbH	18,65
Treasury shares	0,30
Other shareholders	39,35
<b>Total</b>	<b>100</b>

On 2 December 2019, Imagina Media Audiovisual, S.A.U. ceased to be a shareholder of the Company after the conclusion of the private placement among qualified investors of the shares it held on that date, as notified to the Spanish National Securities Market Commission (Comisión Nacional del Mercado de Valores) in a price-sensitive information notice (CNMV registration number 284091).

There are agreements among the main shareholders that guarantee the Company's shareholder stability, the grant of mutual rights of acquisition on their shares, the undertaking not to take control of the Company or to permit a third party to do so, and also include management agreements, as described in the Annual Corporate Governance Report.

At 31 December 2019 and 2018, the share capital of the Company amounted to EUR 169,300 thousand and was represented by 225,732,800 fully subscribed and paid shares of EUR 0.75 par value each, which carry the same rights.

The shares of the Company are admitted to trading on the Spanish Stock Market Interconnection System (Continuous Market).

### 12.1 Reserves

Under the Spanish Companies Act (*Ley de Sociedades de Capital*), the Company must earmark an amount equal to 10% of profit for the year to a legal reserve until such reserve reaches at least 20% of the capital. The legal reserve can be used to increase capital by the amount exceeding 10% of the increased capital amount. Except for this purpose, until the legal reserve exceeds the limit of 20% of share capital, it can only be used to offset losses, if there are no other reserves available.

At 31 December 2019, the legal reserve was fully allocated (EUR 33,860 thousand).



This item also includes a restricted amount of EUR 281 thousand related to "Reserve for the adjustment of share capital to euros".

As a result of the capital reduction made in 2006, a reserve of EUR 8,333 thousand was established, equal to the par value of the redeemed shares, which may only be used if the same requirements as those for the reduction of share capital are met, pursuant to Article 335.c of the Spanish Companies Act.

The remaining reserves, with a balance of EUR 60,076 thousand, are unrestricted.

## 12.2 Treasury shares

Treasury shares held by the Company at the end of 2019 and 2018:

Year	No. of shares	Par value (euros)	Average acquisition price (euros)	Total cost (thousands of euros)
2019	673,126	504.845	11,13	7.489
2018	791.880	593.910	11,13	8.810

At 31 December 2019, the shares of the Company held by it represented 0.298% of share capital and totalled 673,126 shares, with a value of EUR 7,489 thousand and an average acquisition price of EUR 11.13 per share.

In order to fulfil the obligations of the remuneration scheme with the delivery of shares to certain directors and senior executives (see Note 19.3), 791,880 treasury shares were acquired in 2016.

On 23 April 2019, following settlement of the first part of the remuneration plan (see Note 19.3), the treasury shares held by the Company decreased after shares were delivered to the beneficiaries.

In order to fulfil the obligations of the second part of the plan, which will be settled in the first four months of 2020, the Company holds 673,126 treasury shares.

Shareholders at the General Meeting held on 22 April 2015 approved a resolution authorising the Company to acquire treasury shares provided that they did not exceed the maximum legal limit permitted by law at any given time. This limit is set at 10% of the subscribed share capital by Article 509 of the Spanish Companies Act, approved by Legislative Royal Decree 1/2010, of 2 July. This authorisation is in force until 2020 and rendered null and void the authorisation granted at the General Meeting on 24 March 2010.

## 12.3 Other equity instruments

At the General Meeting of the Company held on 22 April 2016, the shareholders approved the implementation of a remuneration plan with the delivery of shares to certain directors and executives. Note 19.3 details the plan's main features. "Other equity instruments" includes the measurement of the equity instruments assigned at fair value at the date of award, which at 31 December 2019 amounted to EUR 1,355 thousand.

The decrease in equity at 31 December 2019 from settlement of the first part of the plan was EUR 899 thousand.

## 12.4 Dividends

At the General Meeting held on 24 April 2019, the shareholders of the Company ratified, among other resolutions, the distribution of 2018 profit, allocating EUR 44,988 thousand to the payment of an interim dividend, which was paid on 19 December 2018, and approved a special dividend out of unrestricted reserves for EUR 56,265 thousand, equal to EUR 0.25 per share (after attributing the dividend rights of the treasury shares). This dividend was paid on 20 June 2019 and represented an increase of 33% on the par value.

At the Company's Board of Directors meeting held on 20 November 2019, a resolution was passed to distribute, out of the Parent's profit for 2019, the gross amount of twenty euro cents (EUR 0.20) for each of the 225,732,800 shares of EUR 0.75 par value representing the share capital, of which 673,126 are treasury shares. Accordingly, the dividend rights inherent to treasury shares were attributed proportionately to the other shares in accordance with Article 148 of the Spanish Companies Act. This dividend was paid to shareholders as an interim dividend on 18 December 2019, for a total amount of EUR 45,012 thousand, representing 29% of the par value.

## 13.- Provisions and contingencies

Current and non-current provisions in 2019 and 2018 (in thousands of euros):

Litigation and other provisions	Balance at 1/1/19	Charges	Transfers	Amounts used	Surplus	Balance at 31/12/19
Non-current	-		20.364			20.364
Current	33.633	4.787	(20.364)	(6.445)	(2.474)	9.137
<b>Total</b>	<b>33.633</b>	<b>4.787</b>	<b>-</b>	<b>(6.445)</b>	<b>(2.474)</b>	<b>29.501</b>

Litigation and other provisions	Balance at 1/1/18	Charges	Transfers	Amounts used	Surplus	Balance at 31/12/18
Current	26.651	9.750	-	(178)	(2.590)	33.633
<b>Total</b>	<b>26.651</b>	<b>9.750</b>	<b>-</b>	<b>(178)</b>	<b>(2.590)</b>	<b>33.633</b>

The charge for the year is shown under "External services" and surplus provisions under "Surplus provisions" in the accompanying statement of profit or loss.

At 31 December 2019 and 2018, certain civil, labour, criminal and administrative lawsuits had been filed against the Company which were taken into account in estimating potential contingent liabilities. Noteworthy, in view of their amount, were the lawsuits with certain collection societies.

The directors of the Company and its legal advisers do not expect any material liabilities in addition to those already recognised to arise from the outcome of the ongoing lawsuits.

In November 2019, the Comisión Nacional de los Mercados y la Competencia (CNMC, Spain's competition watchdog) arrived at a decision in disciplinary proceedings S/DC/0617/17 *Atresmedia/Mediaset*. Both operators, Atresmedia and Mediaset, were fined, and barred from specified courses of conduct. The CNMC will monitor the companies' future behaviour to ensure the prohibition is observed in practice.

In its decision, the CNMC found that Atresmedia and Mediaset had breached Article 1 of *Ley 15/2007, de 3 de julio, de Defensa de la Competencia*, Spain's competition statute, and Article 101 of the Treaty on the Functioning of the European Union, by setting terms in arrangements with television advertisers and media agencies that were apt to restrict competition.

The specific restrictions on competition disapproved by the CNMC are:

1. contractual imposition on advertisers of minimum quotas of television advertising,
2. a bundled marketing system that makes sale of television advertising subject to advertisers buying channel bundles and simulcast or single-platform television advertising, and
3. a system of rewarding media agencies for brokering advertising deals.

The CNMC found in its decision that the Atresmedia Group parties liable for the breach are Atresmedia Corporación de Medios de Comunicación, S.A. and Atres Advertising, S.L.U.

In its decision, the CNMC determined that the unlawful conduct of the two television operators started no later than 2013, when all the restrictions were in place, and continued until 2017 or later. The fine imposed on Atresmedia was EUR 38,246,520. In addition, Atresmedia and Mediaset were ordered to immediately cease the course of conduct complained of, and any other conduct of equivalent effect, and to refrain from such conduct in future. Within three months of notice of the decision, the parties must take steps to align their commercial and contractual relations to the requirements of the decision. Finally, the Competition Department of the CNMC was instructed to monitor compliance with the decision.

Atresmedia has challenged the decision by filing an application for judicial review with the Administrative Chamber of the Audiencia Nacional, Spain's national court. The application has been found admissible and will proceed. Concurrently with its application for judicial review, Atresmedia sought an interim suspension of the orders to pay a fine and immediately cease the disapproved conduct. The application for an interim suspension is now being considered by the Court.

In due course, the Court will ask Atresmedia to submit written arguments against the CNMC's decision. Those arguments are now in the process of discussion and are thought to be legally sound.

The directors and legal advisers of the Company believe that the application for judicial review against the CNMC's decision is likely to succeed. It is probable that the court decision will be favourable to the interests of Atresmedia, and therefore the business model so far implemented by the Company will not be materially affected.

In 2017, Central Examining Court 2 of the Audiencia Nacional (National Court) made an order to enter and search the homes of several authors and other parties related to the engagement under contract for television of musical authors and works. These court proceedings at criminal law affected Atresmedia directly in the person of its musical rights management officer and indirectly in connection with Atresmedia's continuing relationship with the SGAE as to settlements for musical broadcasts on television in early morning hours.

In February 2020, this Court decided to investigate Atresmedia in the same proceedings for alleged criminal activities that could include business corruption as provided for and punishable in article 286 bis of the Criminal Code. This offence may be attributed to the legal person where one of its employees or directors has committed the offence, provided that (i) the company benefited directly or indirectly and (ii) the company lacks effective monitoring and control measures to prevent the crime. The charge contained in the ruling extends to 13 other public and private television operators with national and regional coverage.

The Company's directors and Atresmedia's legal advisers specialised in criminal law consider that no crime has been committed by any natural person, employee or manager of Atresmedia. In their opinion, the initial budget required by Article 31.bis 1 of the Criminal Code is not met, so the risk of a conviction for the Company is considered remote.

## 14.- Non-current and current payables

### 14.1 Non-current financial liabilities

Balance of "Non-current payables" at 31 December 2019 and 2018:

	Non-current financial instruments							
	Bonds and other marketable debt securities		Bank borrowings		Derivatives and other		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
Debts and payables	178.030	170.770	103.475	137.907	17	35	281.522	308.712
Derivatives	-	-	-	-	1.273	1.605	1.273	1.605
<b>Total</b>	<b>178.030</b>	<b>170.770</b>	<b>103.475</b>	<b>137.907</b>	<b>1.290</b>	<b>1.640</b>	<b>282.795</b>	<b>310.317</b>

Breakdown by maturity of "Non-current payables":

	2021	2022	2023	2024	2025 and beyond	Total
Bonds and other marketable debt securities	-	-	66.761	-	111.269	178.030
Bank borrowings	35.000	68.475	-	-	-	103.475
Derivatives	83	14	-	1.176	-	1.273
Other debts and payables	17	-	-	-	-	17
<b>Total at 31/12/19</b>	<b>35.100</b>	<b>68.489</b>	<b>66.761</b>	<b>1.176</b>	<b>111.269</b>	<b>282.795</b>

	2020	2021	2022	2023	2024 and beyond	Total
Bonds and other marketable debt securities	-	-	-	64.092	106.678	170.770
Bank borrowings	35.000	35.000	67.907	-	-	137.907
Derivatives	99	4	-	1.502	-	1.605
Other debts and payables	35	-	-	-	-	35
<b>Total at 31/12/18</b>	<b>35.134</b>	<b>35.004</b>	<b>67.907</b>	<b>65.594</b>	<b>106.678</b>	<b>310.317</b>

#### a) Bonds and other marketable debt securities

On 11 July 2018, the Company, to diversify its funding sources, carried out an issuance of senior series A notes, for seventy-five million US dollars with maturity at five years, with semi-annual interest payment of an applicable coupon in US dollars of 4.48%, and an issuance of senior series B notes, for one hundred and twenty-five million US dollars with maturity at seven years, with semi-annual interest payment of an applicable coupon in US dollars of 4.75%, targeting US institutional investors. All the notes are listed on the Open Market (Freiverkehr) of the Frankfurt Stock Exchange.

Cross currency swaps have been entered into to hedge the risk of fluctuations of these issuances, resulting in a fixed exchange rate and half-yearly coupon payments at a fixed rate in euros see Note (see Note 10).

## b) **Bank borrowings**

On 26 July 2017, the Company arranged a new syndicated loan with an initial limit of EUR 350,000 thousand, which was earmarked to repay the syndicated financing arranged in May 2015 and to meet the Company's general corporate and cash requirements. Eight banks with which the Company has regular dealings participated in the transaction.

Of the total amount, 50% is a five-year loan, with partial repayments, and 50% a revolving credit facility maturing at five years. At 31 December 2019, the limit was EUR 280,000 thousand, with no drawdown of the credit tranche.

The applicable interest rate is Euribor plus a market spread and the transaction is subject to compliance with financial covenants habitually used in transactions of this kind: the debt to EBITDA ratio and the interest coverage ratio. The Company's directors expects the covenants to be complied with at 31 December 2019.

The fair value of this financing approximates its carrying amount. At the date the transaction was arranged, the risk of changes in interest rates was hedged with a fixed interest-rate swap for an amount equal to 90% of the loan tranche (see Note 10).

The Company also has bilateral financing facilities to meets its cash requirements.

### **14.2 Current financial liabilities**

Current bank borrowings at 31 December 2019 amounted to EUR 7,413 thousand (2018: EUR 11,870 thousand).

The rate of interest paid by the Company in 2019 on the loans and credit facilities arranged with banks was mainly tied to Euribor.

The fair value of interest accrued at 31 December 2019 on bonds and other marketable securities was EUR 4,046 thousand. As explained in Note 10, a swap was entered into, which generated EUR 2,182 thousand for the Company.

## **15.- Trade payables**

The statutory payment limit applicable to the Company under Law 3/2004, of 29 December, establishing measures to combat late payment in commercial transactions and the transitional provisions set out in Law 15/2010, of 5 July, was 60 days as from 2013.

The following table presents the disclosures required by Additional Provision Three of Law 15/2010, of 5 July (amended by Final Provision Two of Law 31/2014, of 3 December), prepared in accordance with the Spanish Accounting and Audit Institute (ICAC) Resolution of 29 January

2016 on the disclosures to be included in notes to financial statements in relation to the average period of payment to suppliers in commercial transactions.

	2019	2018
	Days	Days
Average supplier payment period	60	56
Ratio of transactions paid	66	65
Ratio of transactions outstanding	37	24

	Thousands of euros	Thousands of euros
Total payments made	537.918	602.508
Total payments outstanding	134.175	165.002

In accordance with the ICAC Resolution, the calculation of the average supplier payment period considered commercial transactions involving the delivery of goods and the rendering of services from the effective date of Law 31/2014, of 3 December.

For the sole purpose of the disclosures provided for in the Resolution, suppliers are considered to be the trade creditors for the supply of goods or services included in "Payable to suppliers" and "Payable to suppliers - Group companies and associates" under current liabilities in the balance sheet.

"Average supplier payment period" is the time elapsed between the delivery of the goods or the rendering of the services by the supplier and the actual payment of the transaction.

## 16.- Tax matters

### 16.1 Current tax receivables and payables

Breakdown of current tax receivables and payables (in thousands of euros):

#### Tax receivables

Thousands of euros	2019	2018
<b>To be settled in 2019:</b>	<b>11.984</b>	<b>15.424</b>
Deferred tax assets	507	168
Tax loss carryforwards	5.817	7.481
Unused tax credits and tax relief	5.660	7.775
<b>To be settled from 2020:</b>	<b>169.623</b>	<b>181.839</b>
Deferred tax assets	9.254	10.070
Tax loss carryforwards	69.362	74.662
Unused tax credits and tax relief	91.007	97.107
<b>Total non-current assets</b>	<b>181.607</b>	<b>197.263</b>
2018 income tax refundable	3.407	5.628
2019 income tax refundable	15.477	-
VAT refundable	-	165
Other tax receivables	142	-
<b>Total current assets</b>	<b>19.027</b>	<b>5.793</b>
<b>TOTAL TAX RECEIVABLES</b>	<b>200.634</b>	<b>203.056</b>

## Tax payables

Thousands of euros	2019	2018
Deferred tax liabilities	13.160	13.972
<b>Total non-current liabilities</b>	<b>13.160</b>	<b>13.972</b>
Tax withholdings payable	5.017	4.767
Social security payable	588	600
VAT payable	9.453	6.072
<b>Total current liabilities</b>	<b>15.058</b>	<b>11.439</b>
<b>TOTAL TAX PAYABLES</b>	<b>28.217</b>	<b>25.411</b>

## 16.2 Reconciliation of accounting profit and taxable income

Pursuant to Spanish Income Tax Law 43/1995, of 27 December, on 26 December 2000, Atresmedia Corporación de Medios de Comunicación, S.A. notified the Madrid taxation authority of its decision to file consolidated income tax returns. Application of the consolidated tax regime is considered indefinite provided that the requirements established in the Article 67 of the Consolidated Income Tax Law are met and the Company does not opt to cease to apply the aforementioned regime.

Companies composing the tax group at 31 December 2019:

TAXPAYER IDENTIFICATION NUMBER	SUBSIDIARY	Date of inclusion in the Group
B82832841	Atresmedia Cine, S.L.U.	01/01/2003
B84187335	Antena 3 Multimedia, S.L.U.	01/01/2004
A84920230	Antena 3 Televisión Digital Terrestre de Canarias, S.A.U.	01/01/2006
B86424132	Antena 3 Noticias, S.L.U.	01/01/2012
B84171453	Atres Advertising, S.L.U.	01/01/2004
B86885530	6&M Producciones y Contenidos Audiovisuales, S.L.U. (1)	01/01/2013
B87294187	Atresmedia Música, S.L.U.	01/01/2015
B65273914	Atresmedia Studios, S.L.U.	01/01/2014
B87377230	Atresmedia Capital, S.L.U. (3)	01/01/2015
A79458535	Música Aparte S.A.U.	01/01/2001
B87246773	Smartclip Latam, S.L.	01/01/2018
B85498723	Smartclip Hispania, S.L.U.	01/01/2018
B84196914	Uniprex Televisión, S.L.U.	01/01/2004
B84405422	Inversión y Distribución Global de Contenidos, S.L.U. (2)	01/01/2005
A28782936	Uniprex, S.A.U.	01/01/2001

(1) Formerly Atresmedia Foto, S.L.U.

(2) Formerly Uniprex Valencia TV, S.L.U.

(3) Formerly Flooxplay, S.L.U.

Filing consolidated tax returns gives rise to reciprocal intra-Group balances, due to the offset of the losses incurred by certain companies against the profit earned by other Group companies. These balances are recognised under "Payable to group companies" and "Receivable from group companies", as appropriate.

Income tax is calculated based on accounting profit or loss, obtained by applying generally accepted accounting principles. It does not necessarily coincide with taxable income or tax loss.

Reconciliation of accounting profit and profit for income tax purposes for 2019:

	Thousands of euros		
	Increases	Decreases	Total
<b>Accounting profit after tax</b>			<b>103.028</b>
<b>Income tax</b>	<b>28.191</b>	<b>-</b>	<b>28.191</b>
<b>Permanent differences -</b>	<b>8.048</b>	<b>20.034</b>	<b>(11.986)</b>
Penalties		864	(864)
Donations	637	-	637
Impairment of investments	1317	-	1317
Elimination of dividends	-	19.170	(19.170)
Elimination of inter-group transactions	5.720	-	5.720
Other permanent differences	120	-	120
Double taxation exemption	254	-	254
<b>Deductible temporary differences:</b>	<b>868</b>	<b>8.058</b>	<b>(7.190)</b>
<i>Originating in the current year:</i>			
Provisions for contingencies and charges	596	-	596
Non-current payables	272	-	272
Impairment losses			
<i>Originating in prior years :</i>			
Provisions for contingencies and charges		6.217	(6.217)
Non-current payables		1.169	(1.169)
Impairment losses		672	(672)
<b>Taxable temporary differences:</b>	<b>6.858</b>	<b>-</b>	<b>6.858</b>
<i>Originating in the current year:</i>			
Impairment losses	6.858	-	6.858
<b>Assignment EIGs</b>	<b>-</b>	<b>13.032</b>	<b>(13.032)</b>
<i>Assignment of tax losses EIGs</i>		13.032	
<b>Gross taxable profit</b>	<b>43.964</b>	<b>41.123</b>	<b>105.869</b>
Offset of prior years' tax losses			(26.467)
<b>Tax rate</b>			<b>25%</b>
<b>Gross tax payable</b>			<b>19.851</b>
Receivables from (payables to) group companies			7.628
Tax credits taken in 2019			(15.560)
Tax prepayments in 2019			(27.395)
<b>Income tax payable (refundable)</b>			<b>(15.477)</b>

In 2019, the Company acquired a 99.98% stake in the economic interest grouping (EIA) "AEDEA INVESTIGACIONES AIE" for EUR 4,954 thousand. This IEA carries out research and development activities.

The particular taxation of EIGs (see Note 16.5) gave rise at year-end of deferred tax assets of EUR 7,407 thousand for the Company, cancelling the entire amount of the financial investment.

Of the EUR 7,407 thousand of financial assets passed on by the EIG to Atresmedia Corporación, EUR 3,257 thousand related to tax losses (EUR 13,031 thousand to taxable income) and EUR 4,150 thousand are deductions for research and development.

The difference between the derecognition of the investment and the addition of deferred tax assets gave rise to finance income of EUR 2,453 thousand.

Tax losses were allocated in 2019, with the Company making a negative adjustment to taxable income of EUR 13,031 thousand.



## Reconciliation of accounting profit and profit for income tax purposes for 2018:

	Thousands of euros		
	Increases	Decreases	Total
<b>Accounting profit after tax</b>			<b>82.104</b>
<b>Income tax</b>	<b>53.096</b>	<b>-</b>	<b>53.096</b>
<b>Permanent differences-</b>	<b>12.125</b>	<b>42.427</b>	<b>(30.302)</b>
Penalties	309	-	309
Donations	650	-	650
Impairment of investments	3.567	-	3.567
Elimination of dividends	-	40.007	(40.007)
Elimination of inter-group transactions	3.869	-	3.869
Other permanent differences	-	2.420	(2.420)
Double taxation exemption	3.730	-	3.730
<b>Deductible temporary differences:</b>	<b>545</b>	<b>2.887</b>	<b>(2.342)</b>
<i>Originating in the current year:</i>			
Provisions for contingencies and charges			
Non-current payables	423	-	423
Impairment losses			
<i>Originating in prior years :</i>			
Provisions for contingencies and charges		2.844	(2.844)
Non-current payables		43	(43)
Impairment losses	122	-	122
<b>Taxable temporary differences:</b>	<b>6.858</b>	<b>-</b>	<b>6.858</b>
<i>Originating in the current year:</i>			
Impairment losses	6.858	-	6.858
<b>Gross taxable profit</b>	<b>72.624</b>	<b>45.314</b>	<b>109.414</b>
<b>Offset of prior years' tax losses</b>			<b>(27.353)</b>
<b>Tax rate</b>			<b>0</b>
<b>Gross tax payable</b>			<b>20.515</b>
Receivables from (payables to) group companies			10.352
Tax credits taken in 2017			(9.670)
Tax prepayments in 2017			(26.825)
<b>Income tax payable (refundable)</b>			<b>(5.628)</b>

**16.3 Tax recognised in equity**

Taxes recognised directly in equity in 2019:

	Thousands of euros		
	Increases	Decreases	Total
<b>Current tax</b>			
Capital increase expenses			
Capital reduction expenses			
<b>Total current tax</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Deferred tax</b>			
<i>Originating in the current year:</i>			
Available-for-sale financial assets			-
Revaluation of other financial assets	-	421	(421)
Recognition of assets at fair value	-	902	(902)
Government grants			-
Effect of first-time application of new Spanish National Chart of Accounts			-
<i>Originating in prior years :</i>			
Available-for-sale financial assets			-
Revaluation of other financial assets			-
Government grants			-
<b>Total deferred tax</b>	<b>-</b>	<b>1.323</b>	<b>(1.323)</b>
<b>Total tax recognised directly in equity</b>	<b>-</b>	<b>1.323</b>	<b>(1.323)</b>

Taxes recognised directly in equity in 2018:

	Thousands of euros		
	Increases	Decreases	Total
<b>Current tax</b>			
Capital increase expenses			
Capital reduction expenses			
<b>Total current tax</b>	-	-	-
<b>Deferred tax</b>			
<i>Originating in the current year:</i>			
Available-for-sale financial assets	-	531	(531)
Revaluation of other financial assets	-	637	(637)
Government grants			-
Effect of first-time application of new Spanish National Chart of Accounts			-
<i>Originating in prior years :</i>			
Available-for-sale financial assets			-
Revaluation of other financial assets			-
Government grants			-
<b>Total deferred tax</b>	-	1.168	(1.168)
<b>Total tax recognised directly in equity</b>	-	1.168	(1.168)

#### 16.4 Reconciliation of accounting profit and income tax expense

Reconciliation of accounting profit and income tax expense (in thousands of euros):

	2019	2018
<b>Consolidated profit before tax</b>	<b>131.219</b>	<b>135.201</b>
Tax charge at 25%	32.805	33.800
<b>Tax credits earned in the year</b>	<b>(513)</b>	<b>(10.963)</b>
Audiovisual productions	-	(10.701)
Donations to not-for-profit entities	(214)	(55)
Other	(299)	(207)
<b>Offset of tax losses</b>	<b>-</b>	<b>-</b>
<b>Other-</b>		
Permanent differences (Note 16.2)	(2.997)	(7.575)
<b>Total current tax expense for the year</b>	<b>29.295</b>	<b>15.262</b>
<b>Income tax adjustments</b>	<b>(1.104)</b>	<b>37.834</b>
Difference in income tax per tax return	(1.104)	(2.571)
Inspection adjustments	-	2.880
Adjustments for derecognition of unused tax losses	-	37.525
<b>Total income tax expense recognised in profit or loss</b>	<b>28.191</b>	<b>53.096</b>

Income tax expense for the year (in thousands of euros):

	2019	2018
Current tax	19.337	9.552
Deferred tax	9.958	5.710
<b>Total income tax expense for the year</b>	<b>29.295</b>	<b>15.262</b>

### 16.5 Deferred tax assets recognised

The difference between the tax charge allocated to the current year and to prior years and the tax charge already paid or payable for those years, recognised under "Deferred tax assets", arose as a result of temporary differences on the following items:

CHANGES IN DEFERRED TAX ASSETS	Thousands of euros				2019
	2018	Additions	Decreases	Other	
Contingencies and charges	8.397	149	1.554	1.620	8.611
Payables	637	68	292	-	412
Other	1.374	-	168	122	1.328
Hedging instruments	(170)	-	421	-	(591)
<b>Total</b>	<b>10.238</b>	<b>217</b>	<b>2.435</b>	<b>1.741</b>	<b>9.760</b>

The detail for 2018 is as follows:

CHANGES IN DEFERRED TAX ASSETS	Thousands of euros				2018
	2017	Additions	Decreases	Other	
Contingencies and charges	8.751	106	513	53	8.397
Payables	637	-	-	-	637
Other	1.558	-	179	(5)	1.374
Hedging instruments	361	-	531	-	(170)
<b>Total</b>	<b>11.307</b>	<b>106</b>	<b>1.223</b>	<b>48</b>	<b>10.238</b>

The tax effect of the valuation adjustments relating to the hedging instruments in 2019 amounted to a negative EUR 421 thousand, recognised under "Non-current assets".

These deferred tax assets were recognised in the balance sheet as the directors considered that, based on the best estimates of the Company's future earnings, including certain tax planning measures, it is probable that these assets will be recovered.

On the basis of the estimate made by the Company's directors of the timing of future profits for the offset and use of these deferred tax assets, EUR 9,254 thousand were considered to be recoverable in the long term, while EUR 507 thousand were considered to be recoverable in the short term. Both amounts are recognised under "Deferred tax assets".

The Company has considered the following as positive evidence for recognising deferred tax assets:

- The tax loss carryforwards arose in the business combination with la Sexta, which had losses before being absorbed by Atresmedia Corporación de Medios de Comunicación, S.A.
- The Company has a history of recurring profits, even after absorbing the loss-making La Sexta, with a stable customer portfolio.
- The Company operates in a mature sector, which allows it to plan convincing tax strategies.

Chapter IV of Title VI of the Corporate Income Tax Law provides a general 15-year period for offsetting deductions and an 18-year period for R&D&I credits. However, accounting regulations consider a maximum offset period of 10 years in assessing and measuring the tax credits recognised in the balance sheet. Therefore, under this measurement standard, the amounts that are unlikely to be recovered within this period must be adjusted, without affecting the tax offset that may arise in subsequent periods.

For reasons of prudence regarding the period for absorbing the large amount of new tax credits, the tax credits for audiovisual production of EUR 12,971 thousand were not recognised in 2019 despite the Company's ability to eventually absorb all the tax credits.

Assessments are made regarding the outlook for growth of the advertising market in the coming years, using audience numbers, advertising effectiveness ratios and cost forecasts as the main assumptions. Except for advertising, which is measured on the basis of external information sources, the rest of the assumptions are based on past experience and reasonable projections approved by management of the Parent and updated in accordance with the performance of the advertising markets. These future projections cover the next 10 years.

The Company performs of sensitivity analysis of the projections to reasonable changes in the key assumptions used to determine the recoverability of these assets. Therefore, the sensitivity analyses are prepared under various scenarios based on the variables considered to be most relevant, i.e. advertising revenue, which depend mainly on the performance of the advertising market, the investment share reached and the operating margin achieved. These analyses, after the aforementioned adjustment, do not provide any evidence that the tax assets and tax credits recognised will be not recovered.

The changes in deferred tax assets recognised in "Other" include mainly the difference between the estimated tax for 2016 and the tax return actually filed with the taxation authorities, giving rise to an adjustment in deferred tax assets of EUR 1,741 thousand. Also, the effect on expenses of this difference, amounting to a negative EUR 1,104 thousand, is recognised under "Income tax adjustments".

At 31 December 2019, Company had unused tax credits amounting to EUR 109,660 thousand, of which EUR 96,688 thousand are recognised in the balance sheet, as follows:

Tax credits				
Thousands of euros				
Pending at 31/12/18	Used in the year	Other	Pending at 31/12/19	Limit
13.034	(12.294)	(741)	-	-
17.478	-	-	17.478	2027
10.990	-	-	10.990	2028
11.580	(40)	-	11.540	2029
14.946	-	-	14.946	2030
12.945	-	-	12.945	2031
13.230	-	-	13.230	2032
10.701	-	709	11.410	2033
17.121	-	-	17.121	2034
<b>122.025</b>	<b>(12.334)</b>	<b>(31)</b>	<b>109.660</b>	

As a result of the merger by universal succession, the Company assumed the right to deduct the transferor's tax credits and tax loss carryforwards, in accordance with the following schedule:

Tax loss carryforwards				
Thousands of euros				
Year generated	Amount	Used in the year	Other	Pending at 31/12/19
2006	9.691	(6.617)	(345)	2.729
2007	37.654	-	-	37.654
2008	31.918	-	-	31.918
2009	28.965	-	-	28.965
2010	8.377	-	-	8.377
2011	15.473	-	-	15.473
2012	12.587	-	-	12.587
<b>Total tax assets</b>	<b>144.666</b>	<b>(6.617)</b>	<b>(345)</b>	<b>137.704</b>

"Other" includes the differences between the estimate made at the end of the reporting period and the income tax return effectively filed for negative amounts of EUR 31 thousand and EUR 345 thousand in tax credits and tax losses, respectively.

Pursuant to Spanish tax legislation, there is no time limit on the offset of tax losses.

Of the EUR 15,560 thousand of tax credits taken in the year, EUR 12,294 thousand were deductions for audiovisual production, EUR 291 thousand for film production, EUR 2,272 thousand international double taxation, EUR 241 thousand for donations to not-for-profit entities, EUR 404 thousand for R&D&I expenditure, EUR 18 thousand for training costs and EUR 40 thousand for reversal of temporary measures (Transitional Provision Thirty-Seven of the Spanish Income Tax Law).

### 16.6 Deferred tax liabilities recognised

Breakdown of deferred tax liabilities recognised in the year:

DEFERRED TAX LIABILITIES	Thousands of euros					
	2017	Additions	Decreases	2018	Additions	Decreases
Tax effect of identification of intangible assets	15.050	-	(1.714)	13.335	-	(1.714)
Tax effect of assets at fair value	-	637	-	637	902	-
<b>Total</b>	<b>15.050</b>	<b>637</b>	<b>(1.714)</b>	<b>13.972</b>	<b>902</b>	<b>(1.714)</b>

In accordance with income tax recognition and measurement standard number 13, the Company will recognise the deferred tax liabilities relating to goodwill provided that these do not arise on the initial recognition thereof.

The deferred tax liabilities relate to the identification of the "La Sexta" trademark and to the signal transmission licence. The trademark was being amortised for accounting purposes at an annual rate of 5%, with the amortisation taken in 2015 amounting to EUR 791 thousand. In 2016, the trademark began to be amortised at an annual rate of 10%, in accordance with Spanish Audit Law 22/2015, of 20 July (see Note 4.1).

The amortisation is not deductible for tax purposes and, therefore, gives rise to a positive adjustment to the taxable profit (tax loss) which is recognised as a deferred tax liability.

It also reflects the tax impact of the recognition of an asset held for sale at fair value.

### 16.7 Years open to inspection and tax audits

In February 2018, an inspection of Atresmedia Corporación de Medios de Comunicación, S.A. began for income tax (2013 and 2014), non-resident income tax (2014 to 2017), value-added tax, withholdings of investment income, withholdings of personal income tax, withholdings of property rentals and gaming tax (all for 2014). The scope of the inspection was subsequently extended to Atres Advertising, S.L.U. and Atresmedia Cine, S.L.U for income tax (2013 and 2014), non-resident income tax, VAT and withholdings of personal income tax (all for 2014).

The final outcome of the inspection was reached in November 2018, with the adjustment of different charges and interest on various taxes, as explained in Note 16 to the 2018 consolidated financial statements.

In March 2019, notification was received of the extension of the inspection to the accounting of the economic interest grouping "Producciones Ramsés" in 2014, which had already been signed under protest.

In October 2019, the assessment was signed, also in disagreement, giving rise to a lower assessment of EUR 67 thousand than the one signed in 2018.

The Company is open to inspection for non-resident income tax from 2018 and for the rest of the taxes applicable to it from 2015.

The Company's directors consider that the tax returns for the aforementioned taxes have been filed correctly and, therefore, even in the event of discrepancies in the interpretation of current tax legislation in relation to the tax treatment afforded to certain transactions, any liabilities that may arise would not have a material effect on the accompanying financial statements.

## 17.- Foreign currency balances and transactions

Significant balances and transactions in foreign currency, mainly US dollars, translated at the year-end exchange rate and the average exchange rates for the year, respectively (in thousands of euros):

	2019	2018
Receivables	3.085	2.987
Payables	226.281	229.761
Sales	11.107	11.448
Acquisitions	30.660	42.481

Exchange differences recognised in 2019 profit or loss by class of financial instruments (in thousands of euros):

	Transactions settled in the year	Unmatured balances	Total
Trade receivables	(259)	-	(259)
Financial assets	-	358	358
<b>Total financial assets</b>	<b>(259)</b>	<b>358</b>	<b>99</b>
Trade payables	212	358	570
Financial liabilities	-	(358)	(358)
<b>Total financial liabilities</b>	<b>212</b>	<b>-</b>	<b>212</b>

Data for 2018 (in thousands of euros):

	Transactions settled in the year	Unmatured balances	Total
Trade receivables	(262)	-	(262)
Financial assets	-	6.049	6.049
<b>Total financial assets</b>	<b>(262)</b>	<b>6.049</b>	<b>5.787</b>
Trade payables	163	(6.365)	(6.202)
Financial liabilities	-	(6.049)	(6.049)
<b>Total financial liabilities</b>	<b>163</b>	<b>(12.414)</b>	<b>(12.251)</b>

## 18- Revenue and expenses

### 18.1 Revenue

Breakdown of revenue in 2019 and 2018 from continuing operations by business line and geographical market (in thousands of euros):

Activity	2019	2018
Advertising sales	733.221	774.424
<b>Total</b>	<b>733.221</b>	<b>774.424</b>

Geographical market	2019	2018
Spain	733.221	774.424
<b>Total</b>	<b>733.221</b>	<b>774.424</b>

“Other operating income” includes sales made by the Company that do not form part of its core business. The most important is income from the sale of broadcasting rights and the commercial exploitation of online content.

### 18.2 Procurements

Procurements in 2019 and 2018:

Thousands of euros	2019	2018
Broadcasting of in-house productions	245.565	241.890
External production services	217.489	236.292
Programme broadcasting rights	152.052	159.375
Performances and contributions of entertainers	16.650	15.665
Other amortisation	16.285	9.981
Live broadcasting rights	97	27.320
Inventories	(256.309)	(247.595)
<b>Total</b>	<b>391.829</b>	<b>442.928</b>

“Inventories” includes expenses incurred in programmes production. The Company’s policy is to capitalise and subsequently amortise this expenditure as described in Note 4.7.

Of total procurements in 2019, EUR 28 million related to purchases in other European Union countries (2018: EUR 32 million) and approximately EUR 56 million to purchases in non-EU countries (2018: EUR 77 million), mainly the United States.

### 18.3 Employee benefits expense

Employee benefits expenses in 2019 and 2018:

Thousands of euros	2019	2018
Social Security payable by the Company	6.008	5.643
Other employee benefits expense	1.169	1.440
<b>Total</b>	<b>7.177</b>	<b>7.083</b>

### 18.4 Other operating expenses

Breakdown of other operating expenses in 2019 and 2018:

Thousands of euros	2019	2018
Subcontracted work	75.962	61.021
Communications	42.480	43.869
Leases and royalties	26.665	26.303
Advertising and publicity	7.768	8.195
Copyrights and other expenses	68.440	72.347
<b>Total</b>	<b>221.315</b>	<b>211.735</b>

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The most significant item under "Leases and royalties" is the television operators' contribution to the financing of Corporación RTVE.

"Copyrights and other expenses" includes changes in the allowance for doubtful receivables. In 2019, the Company used EUR 534 thousand (2018: EUR 35 thousand charged and EUR 17 thousand used).

### 18.5 Finance income and costs

Finance income and finance costs calculated using the effective interest rate method:

Thousands of euros	2019	2018
Finance income	24.283	43.592
Finance costs	9.147	7.652

Of total finance income in 2019, EUR 19,170 thousand related to dividends received by Atresmedia Corporación de Medios de Comunicación, S.A. from its subsidiaries (2018: EUR 40,007 thousand) (see Note 8.3).

### 18.6 Changes in fair value of financial instruments

This item in the statement of profit or loss includes mainly the net gain or loss arising from changes in the fair value of the currency hedges and IRSs disclosed in Note 11.

Net gain/(loss) on changes in fair value in 2019 and 2018 by item:

Thousands of euros	2019	2018
Hedging instruments (Note 14)	(280)	-
Other non-current liabilities (Note 14)	-	7.641
<b>Total</b>	<b>(280)</b>	<b>7.641</b>

## 19.- Related party transactions and balances

### 19.1 Related party transactions

Transactions with related parties in 2019 and 2018 (in thousands of euros):

	2019		2018	
	Group companies	Associates	Group companies	Associates
Revenue	750.362	717	774.424	1.903
Purchase and receipt of services	51.523	43.961	35.163	73.000
Accrued interest expenses	449	-	450	-
Accrued interest income	1.809	254	2.499	232
Guarantees and deposits (extended and received)	576	-	219	-
Dividends received	19.170	-	40.007	-

In addition to these transactions, advertising space was sold to and purchased from related companies in 2019 amounting to EUR 1,381 thousand (2018: EUR 972 thousand).



## 19.2 Related party balances

Balances with related parties on the balance sheet at 31 December 2019 and 2018 (in thousands of euros):

2019	Equity instruments	Non-current loans to companies	Trade receivables	Current investments	Non-current payables	Current payables	Trade payables
<b>Group companies</b>	<b>114.779</b>	<b>34.903</b>	<b>191.034</b>	<b>41.502</b>	<b>2</b>	<b>96.592</b>	<b>11.232</b>
Antena 3 Multimedia, S.L.U.	3	-	10	514	-	14	1.714
Antena 3 Noticias, S.L.U.	1.535	-	1.832	1.302	-	-	5.471
Antena 3 TDT Canarias, S.A.U.	-	-	-	-	-	1.390	378
Atres Advertising, S.L.U.	3	-	186.949	4.069	-	76.074	75
Atresmedia Cine, S.L.U.	5.403	34.903	8	-	-	2.376	424
6&M Producciones y Contenidos Audiovisuales, S.L.U. (*)	689	-	1.598	201	-	2.946	-
Atresmedia Música, S.L.U.	102	-	143	34	-	534	-
Atresmedia Studios, S.L.U.	36	-	12	2.388	-	176	658
Atresmedia Capital, S.L.U. (**)	3	-	-	12.161	-	1	-
Música Aparte, S.A.U.	60	-	107	1.745	-	293	1
Uniprex, S.A.U.	106.635	-	297	18.345	2	-	888
I3 Televisión, S.L.	310	-	41	-	-	334	1.047
Uniprex Televisión, S.L.U.	-	-	30	-	-	1.353	476
Smartclip Hispania, S.L.	-	-	5	633	-	11.075	83
Smartclip Latam, S.L.	-	-	2	110	-	26	-
Smartclip Mexico S.A.P.I. de C.V.	-	-	-	-	-	-	17
<b>Associates</b>	<b>-</b>	<b>-</b>	<b>744</b>	<b>6.402</b>	<b>-</b>	<b>-</b>	<b>114</b>
Fundación Atresmedia	-	-	-	168	-	-	-
Hola Televisión América, S.L.	-	-	359	6.234	-	-	-
Hola Televisión América USA, S.L.	-	-	385	-	-	-	114
<b>Investments</b>	<b>25.414</b>	<b>460</b>	<b>-</b>	<b>1.400</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Related companies</b>	<b>-</b>	<b>-</b>	<b>497</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2.036</b>
Planeta Group	-	-	492	-	-	-	1.838
RTL Group	-	-	5	-	-	-	198
<b>Total</b>	<b>140.193</b>	<b>35.363</b>	<b>192.275</b>	<b>49.304</b>	<b>2</b>	<b>96.592</b>	<b>13.382</b>

2018	Equity instruments	Non-current loans to companies	Trade receivables	Current investments	Non-current payables	Current payables	Trade payables
<b>Group companies</b>	<b>115.650</b>	<b>65.106</b>	<b>175.730</b>	<b>37.528</b>	<b>2</b>	<b>65.544</b>	<b>9.282</b>
Antena 3 Multimedia, S.L.U.	3	-	10	651	-	21	1.602
Antena 3 Noticias, S.L.U.	942	-	86	2.021	-	-	5.407
Antena 3 TDT Canarias, S.A.U.	-	-	-	82	-	1.604	380
Atres Advertising, S.L.U.	3	-	174.815	8.977	-	45.963	170
6&M Producciones y Contenidos Audiovisuales, S.L.U.	60	-	8	4	-	59	-
Atresmedia Studios, S.L.U.	563	-	8	3.938	-	148	-
Música Aparte, S.A.U.	60	-	96	2.118	-	2.915	1
Uniprex Televisión, S.L.U.	-	-	39	240	-	2.270	414
Uniprex, S.A.U.	106.635	16.000	423	18.444	2	-	958
Flooxplay, S.L.U.	3	-	-	356	-	96	257
Atresmedia Música, S.L.U.	102	-	1	36	-	240	-
Smartclip Hispania, S.L.	-	-	211	653	-	8.479	155
Atresmedia Cine S.L.U.	7.279	49.106	33	-	-	3.637	(79)
Smartclip Latam, S.L.	-	-	-	8	-	112	-
Smartclip Mexico S.A.P.I. de C.V.	-	-	-	-	-	-	17
<b>Associates</b>	<b>143</b>	<b>125</b>	<b>484</b>	<b>6.541</b>	<b>-</b>	<b>-</b>	<b>986</b>
Fundación Antena3	-	-	-	56	-	-	-
Hola Televisión América, S.L.	-	-	105	6.235	-	-	-
Hola Televisión América, S.L. US	-	-	372	-	-	-	2
I3 Televisión, S.L.	66	-	7	-	-	-	984
Atres Hub Factory, S.L.	77	125	-	250	-	-	-
<b>Investments</b>	<b>27.817</b>	<b>(27.588)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Related companies</b>	<b>-</b>	<b>-</b>	<b>928</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>34.877</b>
Planeta Group	-	-	533	-	-	-	5.026
RTL Group	-	-	5	-	-	-	140
Imagina Group	-	-	390	-	-	-	29.711
<b>Total</b>	<b>115.793</b>	<b>37.643</b>	<b>177.142</b>	<b>44.069</b>	<b>2</b>	<b>65.544</b>	<b>45.145</b>

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"Current investments" includes the amounts drawn down against the credit facilities granted by the Company to companies in its Group and the balances receivable from them relating to income tax.

"Current payables" includes the balances relating to cash surpluses managed by the Company on behalf of its Group companies and the balances payable to them relating to income tax.

The sale of television advertising services has been managed by the Group company Atres Advertising, S.L. Unipersonal, in line with the most widely used sales model in the television advertising industry. Accordingly, this subsidiary deals with customers (advertisers and media centres).

The Company manages its cash and the cash of its subsidiaries centrally.

### **19.3 Remuneration of directors and senior management**

The remuneration earned in 2019 by the current and former members of the Company's Board of Directors (composed at 31 December 2019 and 2018 of four women and eight men) in the form of salaries, attendance fees and life insurance premiums amounted to EUR 4,733 thousand, EUR 770 thousand and EUR 10 thousand, respectively (2018: EUR 3,344 thousand, EUR 933 thousand and EUR 9 thousand, respectively).

Salaries, and life insurance and third-party liability premiums paid to members of senior management who are not directors in 2019 amounted to EUR 4,640 thousand and EUR 114 thousand, respectively (2018: EUR 3,886 thousand and EUR 119 thousand, respectively).

At 31 December 2019 and 2018, the Company had not granted any loans or advances to its Board members and senior executives, and it does not have any supplementary pension, retirement bonus, special indemnity or life insurance obligations to them in their capacity as directors and executives.

At the General Meeting of the Company held on 22 April 2016, the shareholders approved the implementation of a remuneration plan with the delivery of shares to certain directors and executives. The scheme is a long-term variable incentive tied to the Group's performance.

The duration of the scheme is four years and four months, divided into two periods: compliance and assessment (2016 to 2018) and settlement (50% in the first four months of 2019 and 50% in the first four months of 2020).

The economic targets assessed for the settlement of the scheme are related to the Group's projected consolidated EBITDA and total shareholder return (dividends paid and share price).

Participation is voluntary for beneficiaries, and conditional on the achievement of financial targets and an obligation to remain at the Atresmedia Group.

The grant date was 9 May 2016, when the Company completed the acquisition of treasury shares under the share buyback programme approved by the Board of Directors and each beneficiary's share of the remuneration scheme was established.

With the period for achieving the plan's economic targets for 2017-2018, the first part of the plan was settled, affecting 50% of the shares allocated. The shares were delivered to the beneficiaries on 26 April 2019, with a market closing price that day of EUR 4.65 per share. A total of 118,754 shares were delivered.

The second part of the plan (which affects the remaining 50% of the allocated shares) entails the same economic targets, with delivery to the beneficiaries scheduled for 27 February 2020.

## 19.4 Information regarding Directors' conflicts of interest

Pursuant to Article 229 et. seq. of the Spanish Companies Act, the following information is included:

- In 2019, none of the directors reported to the Board of Directors any direct or indirect conflict of interest that they or their affiliates, as defined in Article 213 of the Spanish Companies Act, might have with respect to the Company.

## 20.- Other disclosures

### 20.1 Employees

In 2018, the average number of employees was 449 (2018: 445), broken down by professional category as follows:

Professional category	2019		2018	
	Female	Male	Female	Male
Senior management	1	11	1	8
Managers	33	52	30	55
Technicians	120	128	118	129
Administrative	42	11	42	10
Other	33	18	33	18
<b>Total</b>	<b>229</b>	<b>220</b>	<b>224</b>	<b>221</b>

There were 454 employees at year-end 2019 (2018: 448), broken down by gender and professional category as follows:

Professional category	2019		2018	
	Female	Male	Female	Male
Senior management	1	11	1	8
Managers	33	54	31	54
Technicians	125	127	119	131
Administrative	40	10	41	10
Other	35	18	34	19
<b>Total</b>	<b>234</b>	<b>220</b>	<b>226</b>	<b>222</b>

Data for senior management are obtained based on the criteria established in the preparation of the Annual Corporate Governance Report.

Senior management comprises three directors (all men).

Average number of employees in 2019 and 2016 with a disability of more than 33% by professional category:

Professional category	2019	2018
Managers	1	1
Technicians	2	2
Other	4	4
<b>Total</b>	<b>7</b>	<b>7</b>

## 20.2 Audit fees

Fees for financial audit and other professional services in 2019 and 2018 provided by the statutory auditor of the Company, or by a firm in the same group or related to the auditor (in thousands of euros):

	Audit of financial statements	Other audit- related services	Tax advisory services	Other services
2019	30	13	-	-
2018	111	11	-	-

"Other audit-related services" includes the reports of agreed-upon procedures on compliance with covenants on financing transactions, and the report on compliance with the investment in audiovisual production provided by KPMG Auditores, S.L. to the Company during the years ended 31 December 2019 and 2018.

Information on services provided by KPMG Auditores, S.L. to companies controlled by the Company in 2017, where applicable, are disclosed in the consolidated financial statements of Atresmedia Corporación de Medios de Comunicación, S.A. and subsidiaries for the year ended 31 December 2019.

Other KPMG International affiliates did not provide professional services to the Company in the years ended 31 December 2019 and 2018.

The Annual Corporate Governance Report includes a description of the work of the Audit Committee and an explanation of how the auditor's objectivity and independence is guaranteed when providing non-audit services.

## 20.3 Off-balance sheet agreements

The Company has provided bank guarantees to third parties, primarily to respond to the obligations arising from the concession of television licences. The amounts of these guarantees in 2019 and 2018 were EUR 29,869 thousand and EUR 30,378 thousand, respectively.

The Company's directors consider that any liabilities not foreseen at 31 December 2019 that might arise from the guarantees provided would not be material.

## 21.- Events after the reporting period

No significant event took place between the end of the reporting period and the date of authorisation for issue of the financial statements.



# ATRESMEDIA

**ATRESMEDIA CORPORACIÓN DE MEDIOS DE  
COMUNICACIÓN, S.A.**

**Management report**

**for 2019**

## ATRESMEDIA CORPORACIÓN DE MEDIOS DE COMUNICACIÓN, S.A. MANAGEMENT REPORT FOR 2019

### Business performance and situation of the Company

Atresmedia Corporación de Medios de Comunicación S.A. (Atresmedia) is the parent of a group that, through its audiovisual and radio arms, produces and distributes audiovisual content of interest for a wide variety of audiences, in which it inserts the spaces it sells to advertisers for their advertising campaigns. Subsidiary Atres Advertising markets these spaces among advertisers, providing the Group with its main revenue source. Atresmedia also engages in other related activities. Through Atres Advertising itself and also through Smartclip, it sells various types of advertising on internet, which it inserts in proprietary web pages, in its VOD (video on demand) offering through Atresplayer or third-party supports. Thanks to all these activities, Atresmedia is the leading seller of advertising in Spain, with a share of approximately 16% of the total advertising market.

The Company is also involved in other businesses that are not exclusively advertising-driven, such as the sale of content produced by the Group to other television networks or VOD platforms, both individually and packaged as complete channels. In the summer of 2019, the VOD activity was relaunched on a subscription basis under Atresplayer Premium. In a bid to strengthen its ability to create, produce and distribute content, in September 2019, Atresmedia Studios, which produces fictional and entertainment content for third parties, reached an agreement with Telefónica to set up a joint venture to produce and distribute fictional content in Spanish worldwide. Start-up of this agreement is contingent on obtaining the pertinent authorisations. Lastly, Atresmedia complies with its statutory obligations to fund European audiovisual works (set out in the Spanish Audiovisual Act, *Ley General Audiovisual*) through its producer, Atresmedia Cine.

Atresmedia carried out business in 2019 amid a growing economy, albeit less so than the year before. The consensus released by Funcas shows GDP growth of 1.9% compared to 2.4% in 2018. Particularly important for our markets was household consumption, with growth estimated at 1.2%, down a sharp 0.6 percentage points from the year before. Growth of job creation is estimated to have slowed slightly, from 2.5% to 2.2%. The average unemployment rate (according to the active population survey, EPA) looks set to fall from 15.3% to 14.1% in 2019.

While these positive figures would, historically, have driven significant growth in the advertising market, the weakness that began in 2018 actually heightened last year. According to Infoadex's estimates, the overall advertising market contracted by 0.2% in 2019, compared to an increase of 3.6% in the year before according to the same source. The television market fared even worse, with an estimated fall of 5.8% in 2019 compared to a slight fall of 0.8% in 2018. The radio market grew by 1.1% compared to overall growth in digital formats of 8.8%.

These figures illustrate the weak performance by Atresmedia's main sources of revenue, radio and television advertising, especially television. There is apparently no single reason. TV consumption fell further in 2019 (by 5.1%) but remained high (3 hours and 42 minutes), in line with levels seen a decade ago. TV still provides the broadest coverage for advertisers. Another considerable change is the alternative provided by digital media to advertisers. Digital media offers a direct relationship between advertising effort and resulting sales through highly targeted campaigns and sophisticated use of the digital environment's large wealth of data. This alternative clearly has merits and Atresmedia offers it to customers. However, it tends to underestimate television's long-term effect, branding power, transparency and, in short, cost-effectiveness, which until now has been unrivalled. The TV advertising market has been

undermined by the weakness of certain major advertisers' markets, e.g. automotive, telecommunications and finance sectors.

Atresmedia Televisión's channels achieved a combined 26.2% audience share in 2019, which rises to 27.7% including the commercial target audience; i.e. the most attractive for advertisers, and to 28.6% including the prime time commercial target.

Antena 3 achieved an average audience in total individuals (all day) of 11.7%, with a prime time commercial target audience share of 12.9%. laSexta reported an average audience share in 2019 in total individuals (all day) of 7.0%. Its commercial target share was 7.6%, the same the commercial target in the prime time slot. The complementary channels achieved a combined share of 7.5% in total individuals (all day), with a commercial target audience of 8.8%.

Atresmedia Radio had a total average of around 3.4 million listeners in the latest EGM survey (rolling year ended with the third 'wave' of 2019). Onda Cero improved from the third 'wave' of 2018, retaining its position in third place among generalist radio networks with nearly 2.0 million listeners. Turning to thematic radio stations, Europa FM had 1.3 million and Melodía FM had 197 thousand listeners.

In December 2019, Atresmedia Digital topped the 26 million unique user mark, with year-on-year growth of 22%. It now ranks sixth in Spain, competing with the major international digital players. In the summer of 2019, we relaunched Atresplayer Premium, our VOD activity on a subscription basis. It includes a large number of programmes from our catalogue, in addition to exclusive previews of the Atresmedia channels' programming, as well as exclusive quality content. It is all available to subscribers at any time from any connected device and without commercials. The number of subscribers doubled in the offer's first five months and has continued to grow in the first few weeks of 2020.

The international channel distribution business delivered healthy growth in 2019. Atresmedia packages and distributes channels to a large number of cable and satellite operators, mainly in Latin America and the United States. Its offering comprises Antena 3 Internacional, Atreseries, A3Cine and Hola TV, the latter through a company in which Atresmedia holds a 50% stake. Combined, we had 58.4 million users by end-2019, making us the world's largest operator of Spanish language channels.

Atresmedia's share price ended 2019 at EUR 3.482/share, down 20.2% from the closing price in 2018 (EUR 4.362/share). Meanwhile, the IBEX 35 rose by 11.8%, closing at 9,549.20 points. The poor share price performance of 2018 continued in 2019, stemming from the shift in expectations regarding the outlook for TV advertising, which also affected other TV operators in Europe.

Revenue totalled EUR 733.2 million in 2019, compared to EUR 774.4 million the year before. Total income, including other operating income, amounted to EUR 801.1 million, down 2.3% on 2018.

Operating expenses (excluding depreciation, impairment and disposals of non-current assets) amounted to EUR 660.3 million, compared to EUR 696.7 million of 2018. Total operating expenses were EUR 681.6 million, down 5.1% on 2018.

Profit from operations in 2019 amounted to EUR 119.6 million, up 17.2% from the year before.

Profit before tax was EUR 131.2 million, down 2.9% from EUR 135.2 million the year before, while net profit reached EUR 103.0 million, up from EUR 82.1 million in 2018. Income tax expense in 2018 included an extraordinary negative impact of EUR 37.5 million from the adjustment made to the tax assets from the carryforward of tax losses arising from the merger with laSexta in 2012.

### Events after the reporting period

No significant event took place between the end of the reporting period and the date of authorisation for issue of the financial statements.

### Outlook for the Company

The trend towards weakness of the advertising market against a backdrop of economic growth begun the year before heightened in 2019. This performance was new as advertising has historically shown a strong correlation to general economic activity. The potential explanations for this behaviour, particularly for television advertising, were described above. Consensus estimates indicate that the traditional media advertising market in Spain will continue its down trend over the next few years, except for radio, which is expected to continue growing slowly. Digital media, however, should grow considerably.

While the argument is well known, even with consumption lower than before, free-to-air (FTA) television is still the best way to achieve broad coverage for advertisers. It is far more effective than any other alternative, not to mention that the cost for advertisers is lower, especially in Spain. Noteworthy is that a large proportion of digital media use their role as a complement to TV coverage as a selling point. TV coverage is a given and greater emphasis is paid to the complement. In this respect, it is precisely digital product and services companies that are stepping up their investments in television the most, to the point where they are becoming the leading advertisers in this medium. Therefore, medium term we still believe that television's position will be strengthened in the new environment and that it will begin performing well again.

This does not mean that Atresmedia is not contributing positively to the structural changes of its markets. For the very reason that advertising in digital media has grown and will continue to do so, we have expanded our global footprint significantly and will continue to do so going forward. Our presence is structured through marketing both our own supports (websites and Atresplayer) and third-party media through our subsidiary, Smartclip.

Moreover, content production and distribution has been a key growth driver and should remain one over the next few years. Even though traditional TV consumption is falling, consumption of audiovisual products has grown consistently. To cater to this consumption, demand from end consumers and intermediaries who offer them has also grown. Our Group has reacted quickly to this trend. We were pioneer in selling in-house production to third parties and in international channels, as noted previously. Atresmedia Studios' third-party content creation and production activities began in 2018. This, coupled with the agreement reached in 2019 with Telefónica to further develop this activity and Atresplayer Premium's launch last summer are all part of our growth and diversification strategy.

The results yielded by our diversification endeavours are illustrated by the fact that while traditional television and radio advertising revenues have increased by 4% over the last five years, revenue from the other activities has grown 2.4-fold.



As until now, this growth will be combined with strict control over costs and investment. Precisely because of these changes in the activity mix, we will have to combine rigour in management with flexibility in resource allocation so as to deliver the expected results with maximum efficiency. All this is framed within a prudent funding policy that ensures the liquidity our businesses require, with minimal leverage.

### **Research and development activities**

The Company does not directly carry out any research and development activities. However, it invests, on an ongoing basis, in all new technologies related to engineering, systems and content distribution. On this front, it has and uses state-of-the-art technology, enabling it to be at the forefront in the deployment of digital activities and in the internet. In 2019, it acquired a stake in an economic interest grouping (EIG) engaged in R&D.

### **Acquisitions of treasury share**

To carry out the long-term remuneration plan for directors and executives approved at the 2016 General Shareholders' Meeting, 118,754 of the company's treasury shares were delivered to the plan beneficiaries on 26 April 2019.

No other transactions were carried out with treasury shares in 2019. As a result, the number of treasury shares decreased from 791,880 at the end of 2018 to 673,126 at the end of 2019.

These shares were acquired to meet the obligations of the share-based payment plan. The second and final delivery is slated for the end of February 2020, once all the requirements of the plan have been met.

### **Average supplier payment period**

"Average supplier payment period" is the time elapsed between the delivery of the goods or the rendering of the services by the supplier and the actual payment of the transaction.

The statutory payment limit applicable under Law 3/2004, of 29 December, establishing measures to combat late payment in commercial transactions and the transitional provisions set out in Law 15/2010, of 5 July, was 60 days as from 2013.

The average supplier payment period in 2019 was 60 days.

### **Use of financial instruments and main financial risks**

The Company uses financial instruments to hedge the foreign currency risk on the purchases of broadcasting rights in the year.

At 31 December 2019, the Company had entered into hedging instruments on its foreign currency asset and liability positions amounting to USD 56,979 thousand, at a weighted average exchange rate of 1.1802 (USD/EUR). The net fair value of these hedging instruments gave rise to a financial asset of EUR 1,859 thousand and a financial liability of EUR 248 thousand at year-end.

Also, interest rate swaps were arranged to fix the financial cost arising from the floating rates established in the syndicated financing agreement entered into in July 2017. Their fair value at 31 December was EUR 1,176 thousand, recognised as a non-current financial liability.

On 11 July 2018, the Company carried out an issue of bonds for USD 200,000 thousand, with maturity at five years (USD 75,000 thousand) and seven years (USD 125,000 thousand), with semi-annual payment of coupons at a fixed rate of interest. Cross currency swaps have been entered into to hedge the risk of fluctuations of these issuances, resulting in a fixed exchange rate and half-yearly payments of coupons on the bonds and debentures at a fixed rate in euros. At 31 December 2019, the fair value of the derivative related to the bond issue was recognised as a financial asset for EUR 17,012 thousand.

The Company's and the Group's risk management and control system is reviewed and updated regularly in response to how the Group's businesses perform and evolve, to risks that actually materialise, to changes in the law, and to how the organisation itself changes and evolves.

This risk management and control system helps the management team to make the right decisions and address risk effectively. We identify and implement any controls and action plans necessary targeting known risks; this enhances our ability to create value and minimises any impact of losses that actually materialise.

Risk analysis and control touches on all the Group's businesses and activities, and involves all our organisational units. This means that risk management and control is a corporate system in which the entire organisation is on alert. The system is headed and overseen by the Board, yet some of its functions are delegated to the Audit and Control Committee. Risk management also brings into play the coordinating role of the Compliance Committee, and input from the Legal Affairs, in risk management and compliance control, Finance, related to financial risks and the controls comprising the system for internal control over financial reporting (ICFR), and, lastly, Internal Audit and Process Control, the coordination and oversight of the overall operation of the risk management system.

The Company and the Group have the necessary tools and organisation to ensure the effectiveness of the control procedures approved.

The Company and the Group's main financial risks are:

a) Foreign currency risk. Foreign currency risk is concentrated basically in payments in international markets to acquire broadcasting rights. To mitigate this risk, the Group enters into hedging instruments, mainly currency forwards.

b) Liquidity risk. The Group's liquidity policy is to arrange credit facilities and short-term investments for sufficient amounts to cover funding requirements based on the outlook for the business.

a) Credit risk. The advertising contract terms require bank guarantees prior to the launch of advertising campaigns. There is also no significant concentration of credit risk to third parties. Cash placements are made and derivative instruments are arranged with institutions of recognised solvency.

d) Interest rate risk. The Group's borrowings are exposed to interest rate risk. Financing is arranged at interest rates tied to Euribor. To mitigate this risk, interest rate swaps (IRSs) have been entered into to reduce its exposure to variable rates.

e) Foreign currency cash flow risk. The Group uses cross currency swaps that swap capital and interest flows in dollars for other capital and interest flows in euros, fixing the exchange rate and half-yearly coupons of the debt from bonds and debentures at a fixed rate in euros.

Pursuant to Article 538 of the Spanish Companies Act, the Annual Corporate Governance Report is part of this management report. The Annual Corporate Governance Report is submitted to the National Securities Market Commission, Comisión Nacional del Mercado de Valores, which publishes the report on its website ([www.cnmv.es](http://www.cnmv.es)). The report is also available on the Company's corporate website ([www.atresmediacorporacion.com](http://www.atresmediacorporacion.com)).



Atresmedia  
Corporación de Medios  
de Comunicación, S.A.  
and subsidiaries

Consolidated Annual Accounts  
31 December 2019

Consolidated Directors' Report  
2019

(With Independent Auditor's Report Thereon)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)



KPMG Auditores, S.L.  
Paseo de la Castellana, 259 C  
28046 Madrid

## **Independent Auditor's Report on the Consolidated Annual Accounts**

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

To the Shareholders of Atresmedia Corporación de Medios de Comunicación, S.A.

### **REPORT ON THE CONSOLIDATED ANNUAL ACCOUNTS**

#### **Opinion**

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We have audited the consolidated annual accounts of Atresmedia Corporación de Medios de Comunicación, S.A. (the "Parent") and subsidiaries (together the "Group"), which comprise the consolidated balance sheet at 31 December 2019, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and consolidated notes.

In our opinion, the accompanying consolidated annual accounts give a true and fair view, in all material respects, of the consolidated equity and consolidated financial position of the Group at 31 December 2019 and of its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU) and other provisions of the financial reporting framework applicable in Spain.

#### **Basis for Opinion**

---

We conducted our audit in accordance with prevailing legislation regulating the audit of accounts in Spain. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Annual Accounts* section of our report.

We are independent of the Group in accordance with the ethical requirements, including those regarding independence, that are relevant to our audit of the consolidated annual accounts pursuant to the legislation regulating the audit of accounts in Spain. We have not provided any non-audit services, nor have any situations or circumstances arisen which, under the aforementioned regulations, have affected the required independence such that this has been compromised.

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



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## Key Audit Matters

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

### Recognition of revenue: advertising sales and trade discounts

See notes 3 m), 12 and 17 a) to the consolidated annual accounts

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>Advertising sales make up a large proportion of revenue, the associated net trade discounts of which amount to Euros 835,711 thousand in 2019. They are recognised in the income statement when the commercials are aired on the television or radio and are measured at the fair value of the consideration received or receivable, less volume discounts.</p> <p>To estimate volume discounts, the client's level of compliance with several business and financial variables over the course of the year is analysed, which entails judgement by Group management.</p> <p>Due to the significance of the amount of advertising sales and the judgement associated with estimating sales volume discounts, this has been considered a key audit matter.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"><li>– We assessed the design and implementation of the most relevant controls established by Group management for the recognition of advertising sales revenue and sales volume discounts. We also tested the effectiveness of key controls related to the aforementioned revenue- and discount-related processes.</li><li>– For a sample of commercials broadcast by the various media managed by the Group, we also obtained supporting documentation for the broadcast and the client purchase orders.</li><li>– Through our meetings with key personnel from the sales department, we gained an understanding of the discounts agreed upon and the method used to calculate them. We also analysed the movement and settlements during the current year of volume discounts related to prior years' sales and compared them with the respective estimates for consistency.</li><li>– We obtained confirmation from third parties of a sample of invoices reflecting trade receivables that were outstanding at the reporting date.</li><li>– We assessed whether the disclosures in the consolidated annual accounts meet the requirements of the financial reporting framework applicable to the Group.</li></ul>

<b>Recoverable amount of goodwill and licences</b> See notes 2 a), 3 a), 3 c), 4 and 5 to the consolidated annual accounts	
<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>At 31 December 2019, the Group has goodwill of Euros 163,223 thousand and licences, which are considered to have an indefinite useful life, of Euros 82,804 thousand, as a result of the various business combinations entered into in prior years.</p> <p>The Group calculates the recoverable amount of goodwill and licences on an annual basis to determine whether they are impaired.</p> <p>Estimating the recoverable amounts requires the Group to exercise a high level of judgement regarding both the assumptions used to calculate them and the valuation methodologies used.</p> <p>Due to the significance of the carrying amount of goodwill and licences, and the high level of judgement associated with the aforementioned assumptions and methodology used to calculate the recoverable amount, this has been considered a key audit matter.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> <li>– We assessed the design and implementation of the key controls relating to the process of estimating the recoverable amount of goodwill and licences.</li> <li>– With the assistance of our specialists, we analysed the reasonableness of the methodology, growth and discount rates and assumptions used by the Group to estimate the cash flows which served as the basis for calculating the recoverable amount of goodwill and licences.</li> <li>– Our audit procedures included reviewing the level of compliance with the assumptions used to estimate the recoverable amount of these assets in the prior year, and evaluating the sensitivity of the key assumptions used in 2019.</li> <li>– We assessed whether the disclosures in the annual accounts meet the requirements of the financial reporting framework applicable to the Group.</li> </ul>



(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

## Recognition of deferred tax assets

See notes 2 a), 3 n) and 20 to the consolidated annual accounts

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>At 31 December 2019 the Group has recognised deferred tax assets amounting to Euros 201,527 thousand. The recognition of deferred tax assets entails a high level of judgement by Group management in assessing the probability and sufficiency of future taxable profits and reversals of taxable temporary differences.</p> <p>Due to the significance of the balance of deferred tax assets, the high level of judgement regarding the estimates used and the uncertainty associated with the recovery of the aforementioned assets, this has been considered a key audit matter.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"><li>– We assessed the design and implementation of the most relevant controls established by the Group over the recognition and measurement of deferred tax assets.</li><li>– We assessed the key assumptions used to estimate future taxable profits and reversals of taxable temporary differences, comparing these assumptions and estimates with the Group's historical information.</li><li>– We assessed the sufficiency of future taxable profits to offset deferred tax assets within the time limit established in the financial reporting framework applicable to the Group.</li><li>– We assessed whether the disclosures in the annual accounts meet the requirements of the financial reporting framework applicable to the Group.</li></ul>

## Other Information: Consolidated Directors' Report

Other information solely comprises the 2019 consolidated directors' report, the preparation of which is the responsibility of the Parent's Directors and which does not form an integral part of the consolidated annual accounts.

Our audit opinion on the consolidated annual accounts does not encompass the consolidated directors' report. Our responsibility as regards the content of the consolidated directors' report is defined in the legislation regulating the audit of accounts, which establishes two different levels:

- a) A specific level applicable to the consolidated non-financial information statement, as well as certain information included in the Annual Corporate Governance Report, as defined in article 35.2. b) of Audit Law 22/2015, which consists solely of verifying that this information has been provided in the consolidated directors' report, or where applicable, that the consolidated directors' report makes reference to the separate report on non-financial information, as provided for in legislation, and if not, to report on this matter.





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- b) A general level applicable to the rest of the information included in the consolidated directors' report, which consists of assessing and reporting on the consistency of this information with the consolidated annual accounts, based on knowledge of the Group obtained during the audit of the aforementioned accounts and without including any information other than that obtained as evidence during the audit. Also, assessing and reporting on whether the content and presentation of this part of the consolidated directors' report are in accordance with applicable legislation. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report them.

Based on the work carried out, as described above, we have verified that the information mentioned in section a) above has been provided in the consolidated directors' report, that the rest of the information contained in the consolidated directors' report is consistent with that disclosed in the consolidated annual accounts for 2019, and that the content and presentation of the report are in accordance with applicable legislation.

### **Directors' and Audit Committee's Responsibility for the Consolidated Annual Accounts**

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The Parent's Directors are responsible for the preparation of the accompanying consolidated annual accounts in such a way that they give a true and fair view of the consolidated equity, consolidated financial position and consolidated financial performance of the Group in accordance with IFRS-EU and other provisions of the financial reporting framework applicable to the Group in Spain, and for such internal control as they determine is necessary to enable the preparation of consolidated annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated annual accounts, 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 committee is responsible for overseeing the preparation and presentation of the consolidated annual accounts.

### **Auditor's Responsibilities for the Audit of the Consolidated Annual Accounts**

Our objectives are to obtain reasonable assurance about whether the consolidated annual accounts 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.



(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with prevailing legislation regulating the audit of accounts 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 economic decisions of users taken on the basis of these consolidated annual accounts.

As part of an audit in accordance with prevailing legislation regulating the audit of accounts 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 annual accounts, 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 annual accounts 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 annual accounts, including the disclosures, and whether the consolidated annual accounts represent the underlying transactions and events in a manner that achieves a true and fair view.
- 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 annual accounts. 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 audit committee of the Parent regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

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

From the matters communicated to the audit committee of the Parent, we determine those that were of most significance in the audit of the consolidated annual accounts of the current period and which 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.

## **REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

### **Additional Report to the Audit Committee of the Parent** \_\_\_\_\_

The opinion expressed in this report is consistent with our additional report to the Parent's audit committee dated 26 February 2020.

### **Contract Period** \_\_\_\_\_

We were appointed as auditor by the shareholders at the ordinary general meeting on 24 April 2019 for a period of one year, specifically the year ended 31 December 2019.

Previously, we had been appointed for a period of three years, by consensus of the shareholders at their general meeting, and have been auditing the annual accounts since the year ended 31 December 2016.

KPMG Auditores, S.L.

On the Spanish Official Register of Auditors ("ROAC") with No. S0702

*(Signed on original in Spanish)*

Manuel Martín Barbón

On the Spanish Official Register of Auditors ("ROAC") with No. 16239

26 February 2020



# ATRESMEDIA

**ATRESMEDIA CORPORACIÓN DE MEDIOS  
DE COMUNICACIÓN, S.A. AND  
SUBSIDIARIES**

Consolidated financial statements for the year  
ended 31 December 2019

*Translation of a report originally issued in Spanish and of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Notes 2 and 26). In the event of discrepancy, the Spanish-language version prevails.*



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## **Consolidated management report**

Management report  
Non-financial statement  
Annual corporate governance report

**CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2019**

Thousands of euros	NOTES	31-12-2019	31-12-2018
<b>ASSETS</b>			
Goodwill	4	163,223	163,223
Other intangible assets	5	119,970	147,322
Property, plant and equipment	6	44,403	49,265
Right-of-use assets	7	3,787	-
Investments accounted for using the equity method	8	204	178
Non-current financial assets	13	34,771	25,696
Derivative financial instruments	13-c	15,057	6,058
Deferred tax assets	20-d	201,527	216,709
<b>NON-CURRENT ASSETS</b>		<b>582,942</b>	<b>608,451</b>
Programme rights	9	315,632	347,024
Inventories		5,449	5,352
Trade receivables	10	238,506	266,884
Other receivables	10	6,619	8,215
Current tax assets	20-d	18,884	5,628
Derivative financial instruments	13-c	3,814	3,002
Other current financial assets		19,542	21,034
Other current assets		5,229	7,403
Cash and cash equivalents	13	85,831	85,626
<b>CURRENT ASSETS</b>		<b>699,506</b>	<b>750,168</b>
<b>TOTAL ASSETS</b>		<b>1,282,448</b>	<b>1,358,619</b>
<b>EQUITY AND LIABILITIES</b>			
Share capital	11-a	169,300	169,300
Share premium	11-b	38,304	38,304
Legal and bylaw reserves	11-c	42,475	42,475
Retained earnings		237,047	221,073
Treasury shares	11-e	(7,489)	(8,810)
Interim dividends	11-f	(45,012)	(44,988)
Other equity instruments	11-h	1,355	2,254
Valuation adjustments		2,210	1,038
<b>EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT</b>		<b>438,190</b>	<b>420,646</b>
Non-controlling interests	11-g	(30)	(116)
<b>EQUITY</b>		<b>438,160</b>	<b>420,530</b>
Provisions	12	37,475	-
Bonds and debentures	13-a	178,030	170,770
Bank borrowings	13-b	103,516	137,907
Derivative financial instruments	13-c	1,273	1,605
Other non-current financial liabilities	20-d	2,428	3,062
Non-current lease liabilities	7	2,582	-
Deferred tax liabilities	12	32,183	30,276
Other non-current liabilities	12	514	1,108
<b>NON-CURRENT LIABILITIES</b>		<b>358,001</b>	<b>344,728</b>
Provisions		72,340	113,065
Bonds and debentures	13-a	4,046	3,924
Bank borrowings	13-b	8,676	11,982
Derivative financial instruments	13-c	151	511
Other current financial liabilities		44	261
Current lease liabilities	7	1,258	-
Payable to suppliers	14	337,556	391,763
Other payables	14	44,218	39,160
Other current liabilities		17,998	32,695
<b>CURRENT LIABILITIES</b>		<b>486,287</b>	<b>593,361</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,282,448</b>	<b>1,358,619</b>

The accompanying Notes 1 to 26 are an integral part of the consolidated balance sheet as at 31 December 2019.  
The Group began applying IFRS 16 from 1 January 2019. In accordance with the transition approach adopted, comparative information was not restated

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2019**

Thousands of euros	NOTES	2019	2018
Revenue	17-a	978,693	984,504
Other operating income		60,713	57,820
Programme amortisation and other procurements	17-b	(470,764)	(486,094)
Staff costs	17-c	(161,741)	(134,435)
Other operating expenses	17-d	(222,956)	(234,649)
Depreciation and amortisation	5 y 6	(19,587)	(18,554)
Impairment and gains/(losses) on disposals of non-current assets		48	(7)
<b>PROFIT FROM OPERATIONS</b>		<b>164,406</b>	<b>168,585</b>
Net gain/(loss) on changes in value of financial instruments at fair value	18	354	6,521
Exchange differences	18	183	(6,858)
Financial loss	18	(7,325)	(6,205)
Impairment and gains/(losses) on disposals of financial assets	18	(427)	(4,313)
Share of profit/(loss) of associates	8	(397)	(1,219)
<b>PROFIT BEFORE TAX FROM CONTINUING OPERATIONS</b>		<b>156,794</b>	<b>156,511</b>
Income tax expense	20-b	(38,848)	(68,342)
<b>PROFIT FOR THE YEAR</b>		<b>117,946</b>	<b>88,169</b>
Profit/(loss) attributable to non-controlling interests		(79)	(13)
<b>PROFIT ATTRIBUTABLE TO THE PARENT</b>		<b>118,025</b>	<b>88,182</b>
Earnings per share:		<b>2019</b>	<b>2018</b>
From continuing operations			
Basic	22	0.525	0.392
Diluted	22	0.524	0.391

The accompanying Notes 1 to 26 are an integral part of the consolidated statement of profit or loss for the year ended 31 December 2019.

The Group began applying IFRS 16 as of 1 January 2019. In accordance with the transition approach adopted, comparative information was not restated

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR**  
**THE YEAR ENDED 31 DECEMBER 2019**

Thousands of euros	2019	2018
<b>CONSOLIDATED PROFIT FOR THE YEAR</b>	<b>117,946</b>	<b>88,169</b>
<b>ITEMS THAT MAY BE RECLASSIFIED TO PROFIT OR LOSS:</b>	<b>1,172</b>	<b>1,594</b>
<b>Cash flow hedges:</b>		
Amounts recognised directly in equity	(11,653)	3,112
Amounts transferred to profit or loss	13,246	(987)
Tax effect	(421)	(531)
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>119,118</b>	<b>89,763</b>
Profit/(loss) attributable to non-controlling interests	(79)	(13)
<b>TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO THE PARENT</b>	<b>119,197</b>	<b>89,776</b>

The accompanying Notes 1 to 26 are an integral part of the consolidated statement of comprehensive income for the year ended 31 December 2019

The Group began applying IFRS 16 from 1 January 2019. In accordance with the transition approach adopted, comparative information was not restated



**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019**

Thousands of euros	Share capital	Share premium	Legal and bylaw reserves	Treasury shares	Retained earnings	Interim dividend	Other equity instruments	Valuation adjustments	Equity attributable to equity holders of the Parent	Non-controlling interests	Equity
Balance at 31 December 2017	169,300	38,304	42,475	(8,810)	252,730	(49,487)	2,298	(556)	446,254	(20)	446,234
Adjustment for first-time application of IFRS 9	-	-	-	-	(1,025)	-	-	-	(1,025)	-	(1,025)
Adjusted balance at 1 January 2018	169,300	38,304	42,475	(8,810)	251,705	(49,487)	2,298	(556)	445,229	(20)	445,209
Total comprehensive income	-	-	-	-	88,182	-	-	1,594	89,776	(13)	89,763
Distribution of profit:	-	-	-	-	-	-	-	-	-	-	-
2017 interim dividend paid in 2017	-	-	-	-	(49,487)	49,487	-	-	-	-	-
2017 final dividend paid in 2018	-	-	-	-	(67,483)	-	-	-	(67,483)	-	(67,483)
2018 interim dividend paid in 2018	-	-	-	-	-	(44,988)	-	-	(44,988)	-	(44,988)
Changes in the scope of consolidation and other:	-	-	-	-	-	-	-	-	-	-	-
Shared-based payments (Note 24)	-	-	-	-	-	-	(44)	-	(44)	-	(44)
Other changes	-	-	-	-	(1,844)	-	-	-	(1,844)	(83)	(1,927)
Balance at 31 December 2018	169,300	38,304	42,475	(8,810)	221,073	(44,988)	2,254	1,038	420,646	(116)	420,530
Total comprehensive income	-	-	-	-	118,025	-	-	1,172	119,197	(79)	119,118
Distribution of profit:	-	-	-	-	-	-	-	-	-	-	-
2018 interim dividend paid in 2018	-	-	-	-	(44,988)	44,988	-	-	-	-	-
2019 special dividend paid in 2019	-	-	-	-	(56,265)	-	-	-	(56,265)	-	(56,265)
2019 interim dividend paid in 2019	-	-	-	-	-	(45,012)	-	-	(45,012)	-	(45,012)
Changes in the scope of consolidation and other:	-	-	-	-	-	-	-	-	-	-	-
Shared-based payments (Note 24)	-	-	-	1,321	(236)	-	(899)	-	186	-	186
Other changes	-	-	-	-	(562)	-	-	-	(562)	165	(397)
Balance at 31 December 2019	169,300	38,304	42,475	(7,489)	237,047	(45,012)	1,355	2,210	438,190	(30)	438,160

The accompanying Notes 1 to 26 are an integral part of the consolidated statement of changes in equity for 2019.  
The Group began applying IFRS 16 as of 1 January 2019. In accordance with the transition approach adopted, comparative information was not restated

**CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2019**

Thousands of euros	2019	2018
<b>1.- CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Consolidated profit for the year before tax	156,794	156,511
Adjustments for:	25,478	27,605
- Depreciation and amortisation	19,587	18,554
- Provisions and other:	(897)	2,509
- Provisions	(1,673)	(3,030)
- Net impairment losses (+/-)	379	4,320
- Share of profit/(loss) of associates	397	1,219
- Financial profit	6,788	6,542
Changes in working capital	29,366	6,301
Cash flows from operating activities	211,638	190,417
Income tax paid	(27,341)	(19,000)
<b>Net cash flows from operating activities</b>	<b>184,297</b>	<b>171,417</b>
<b>2.- CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investments	(46,665)	(67,626)
Subsidiaries, joint ventures and associates	(14,631)	(10,830)
Property, plant and equipment and intangible assets	(32,034)	(56,796)
Disposals	9,784	23,462
Subsidiaries, joint ventures and associates	9,784	23,462
<b>Net cash flows used in investing activities</b>	<b>(36,881)</b>	<b>(44,164)</b>
<b>3.- CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Lease payments	(1,477)	-
Finance costs paid	(6,838)	(4,314)
Financing - Associates and related parties	(209)	(1,822)
Net bank borrowings	(37,696)	51,953
Dividends paid	(101,277)	(112,470)
<b>Net cash flows used in financing activities</b>	<b>(147,497)</b>	<b>(66,653)</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(81)</b>	<b>60,600</b>
Cash and cash equivalents at beginning of year	85,626	25,026
Changes in the scope of consolidation	286	-
<b>Cash and cash equivalents at end of year</b>	<b>85,831</b>	<b>85,626</b>

The accompanying Notes 1 to 26 are an integral part of the consolidated statement of cash flows for the year ended 31 December 2019.

The Group began applying IFRS 16 as of 1 January 2019. In accordance with the transition approach adopted, comparative information was not restated



## **ATRESMEDIA CORPORACIÓN DE MEDIOS DE COMUNICACIÓN, S.A. AND SUBSIDIARIES**

Notes to the consolidated financial statements for the year ended 31 December 2019.

### **1. Group activities**

Atresmedia Corporación de Medios de Comunicación, S.A., parent of the Atresmedia Group, was incorporated on 7 June 1988 under the name Antena 3 de Televisión, S.A. It changed its corporate name in 2013. Its registered address and address for tax purposes is Avenida Isla Graciosa, 13, San Sebastián de los Reyes (Madrid). The company is on file at the Madrid Mercantile Register under page M- 34473.

The core business of the Parent is the provision of audiovisual communication services in any type of broadcasting. Specifically, it holds three national audiovisual television licences, under the legal framework of the General Audiovisual Communication Law (Ley General de Comunicación Audiovisual or "LGCA"). Two of these licences expire in 2025 and provide legal broadcasting coverage of five (5) terrestrial digital television channels: Antena 3, la Sexta, Neox, Nova and Mega. The third expires in 2030 and is for the high definition channel, Atreseries. All have the related concessions for use of public radioelectric domain. Atresmedia Corporación de Medios de Comunicación, S.A. Also broadcasts content through its digital platform, Atresplayer, and other channels outside Spain, such as Antena 3 Internacional, Atreseries and ¡HOLA! TV. Other activities include the production and marketing of content, telesales and licenses.

The wholly-owned subsidiary Uniprex, S.A.U. also provides audiovisual communication services via radio, pursuant to licences that are valid, under the LGCA, for a period of 15 years from their grant or, for concessions awarded before the LGCA became effective, from the date of their transformation into licences. Uniprex, S.A.U. broadcasts the Onda Cero (conventional radio), Europa FM and Melodía FM (music stations).

Atres Advertising, S.L.U.'s core business is the sale of advertising space in the Atresmedia Group's various media and of third parties, and the organisation of events. In 2017, Smartclip joined the Group. It provides digital advertising services of third-party support.

The other Group companies engage mainly in activities related to the production and operation of audiovisual content.

Atresmedia and Telefónica signed a letter of intent in September 2019 to create fictional content in Spanish worldwide, which will culminate in a 50-50 joint venture between the groups to produce audiovisual content for Atresmedia and Movistar+, as well as for third-party operators. This agreement has begun and is currently pending the pertinent authorisations, above all from antitrust authorities.

The Parent is required to prepare, in addition to its separate financial statements, the consolidated financial statements of the Group. In view of the business activities carried on by the Group companies, they do not have any environmental liability, expenses, assets, provisions or contingencies that might be material with respect to the equity, financial position and results of operations of the corporate Group. Therefore, no specific disclosures relating to environmental issues are included in these notes to the consolidated financial statements.

### **2. Basis of preparation and consolidation**

#### **a) Basis of preparation**

The consolidated financial statements have been prepared on the basis of the accounting records kept by the Parent and by the other Group companies in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRSs),

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in conformity with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council.

The consolidated financial statements have been 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 alternative treatments permitted by the relevant standards in this connection, and, accordingly, they present fairly the Group's consolidated equity and consolidated financial position at 31 December 2019, and its results, the changes in consolidated equity and the consolidated cash flows in the year then ended.

However, since the accounting policies and measurement bases used in preparing the Group's consolidated financial statements for 2019 (EU-IFRSs) differ from those used by the Group companies (Spanish National Chart of Accounts, *Plan General Contable*), the required adjustments and reclassifications were made on consolidation to unify the policies and methods used and to make them compliant with EU-IFRSs. In addition to EU-IFRSs, all the requirements included in the Spanish Commercial Code (*Código de Comercio*) and the Spanish Companies Act (*Ley de Sociedades de Capital*) were applied in these consolidated financial statements, as well as other applicable aspects of Spanish accounting regulations in force.

The consolidated financial statements for the year ended 31 December 2019 were authorised for issue by the Parent's directors at the Board of Directors Meeting held on 26 February 2020. The Group's consolidated financial statements for 2019 and the separate financial statements of the Group companies, which were authorised for issue by the companies' respective directors, will be submitted for approval by shareholders at their respective General Meetings. They are expected to be approved without any changes.

The 2018 consolidated financial statements, which were approved by the shareholders at the General Meeting held on 24 April 2019 and are included for comparison purposes, were also prepared in accordance with EU-IFRSs.

These annual consolidated financial statements are the first in which IFRS 16 is applied. The changes in accounting policies and principles arising from the adoption of these standards are described in section (ii) of this note.

The accounting policies and principles adopted in the preparation of the consolidated financial statements are consistent with those followed in the preparation of the 2018 annual consolidated financial statements except for the new standards described in section (i) of this note.

### (i) New standards effective

The following standards and amendments became effective in the first half of 2019 and were adopted by the Group in the preparation of the consolidated financial statements:

New standards, amendments and interpretations:		Mandatory application for annual periods beginning on or after:
<b>Approved for use in the European Union</b>		
IFRS 16 <i>Leases</i> (issued in January 2016)	Supersedes IAS 17 and the related interpretations. Attempts to identify leases and their accounting treatment	1 January 2019
<b>Amendments and/or interpretations</b>		
Amendments to IFRS 9 <i>Prepayment Features with Negative Compensation</i> (issued in October 2017)	The amendments allow particular financial assets allowing prepayment by the borrower for an amount that is less than the unpaid amount of principal and interest to be measured at amortised cost	1 January 2019
IFRIC 23 <i>Uncertainty over Income Tax Treatments</i> (issued in June 2017)	Clarifies how to apply the recognition and measurement standards of IAS when it is uncertain that the taxation authority will accept a specific tax treatment used by the entity	
Amendments to IAS 28 <i>Long-term Interests in Associates and Joint Ventures</i> (issued in October 2017)	This amendment clarifies that an entity should apply IFRS 9 to long-term interests in an associate or joint venture if it does not account for them using the equity method.	
Amendment to IFRS 3 <i>Business Combinations</i> - Annual improvements to IFRSs 2015-2017 Cycle (published in December 2017)	Acquisition of control over a business previously classified as a joint operation	
Amendment to IFRS 11 <i>Joint Arrangements</i> - Annual improvements to IFRSs 2015-2017 Cycle (published in December 2017)	Acquisition of joint control over a joint operation that constitutes a business	
Amendment to IAS 12 <i>Income Taxes</i> - Annual improvements to IFRSs 2015-2017 Cycle (published in December 2017)	Recognition of the income tax consequences of remuneration of financial instruments classified as equity	
Amendment to IAS 23 <i>Borrowing Costs</i> - Annual improvements to IFRSs 2015-2017 Cycle (published in December 2017)	Capitalisation of specific borrowings outstanding after an asset is ready for its intended use	1 January 2019
Amendments to IAS 19 <i>Plan Amendment, Curtailment or Settlement</i> (issued in February 2018)	The amendments clarify the calculation of current service cost and net interest for the remainder of an annual period when a defined-benefit plan amendment, curtailment or settlement occurs	

New mandatory standards, amendments and interpretations applicable in future reporting periods:

New standards, amendments and interpretations:		Mandatory application for annual periods beginning on or after:
<b>Approved for use in the European Union</b>		
Amendments to IFRS <i>Definition of a Business</i> (issued in October 2018)	Clarification of the definition of a business	1 January 2020
<b>Not yet approved for use in the European Union at the date of preparation of these financial statements</b>		
<b>Amendments and/or interpretations</b>		
Amendments to IAS 1 and IAS 8 <i>Definition of Material</i> (issued in October 2018)	Amendments to IAS 1 and IAS 8 to align the definition of 'material' with the definition used in the conceptual framework	1 January 2020
Amendments to IFRS 9, IAS 39 and IFRS 7 <i>Interest Rate Benchmark Reform</i> (published in September 2019)	This amendment clarifies that an entity should apply IFRS 9 to long-term interests in an associate or joint venture if it does not account for them using the equity method. The amendments modify some hedge accounting requirements to provide relief from potential effects of the uncertainty caused by the IBOR reform	

### **Amendments to IFRS 3 - Definition of a Business**

This amendment introduces clarifications to the definition of a business under IFRS 3 to help determine whether an acquisition is made of a business within the framework of a business combination or of a group of assets. For a group of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

The entry into force of this amendment did not have a significant impact for the Group.

### **Amendments to IAS 1 and IAS 8 - Definition of material**

This amendment clarifies the definition of material. Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of financial statements make on the basis of those financial statements.

The entry into force of this amendment did not have a significant impact for the Group.

### **Amendments to IFRS 9, IAS 39 and IFRS 7 - Interest Rate Benchmark Reform**

The IBOR benchmark reform initiative entailed a project to amend IFRS 9, IAS 39 and IFRS 7. It initially focused on identifying the impact of the IBOR reform on hedge accounting and the concept of "uncertainty", since the full replacement of IBOR will result in the modification of hedging instruments.

To prevent this situation, on 26 September 2019 the IASB published a series of amendments to IFRS 9, IAS 39 and IFRS 7 to provide relief from potential effects of uncertainty caused by the IBOR reform, avoiding the discontinuation of the hedging relationships affected.

The Group has decided not to adopt the published amendments early and will apply them at the date of mandatory adoption of 1 January 2020. The Group's interest rate hedges are tied to the Euribor (see Notes 14-b and 14-c), which has been modified without giving rise to any uncertainty in applying hedge accounting.

### **(ii) Significant changes in accounting policies**

On 1 January 2019, the Group began applying IFRS 16 *Leases*. The rest of the standards that became effective on 1 January 2019 did not have a significant impact on the 2019 consolidated financial statements.

As lessee, the Group has elected to apply IFRS 16 using the modified retrospective method, recognising, at the date of initial application of 1 January 2019, the value of the right-of-use asset at that date and an equivalent amount for the lease liability, without restating comparative information.

### **IFRS 16 Leases**

IFRS 16 became effective on 1 January 2019 and superseded 17 and the related interpretations. This standard sets out the principles for recognition, measurement, presentation and disclosures of leases.

The changes introduced by the new standard mostly affect lessee accounting. Therefore, most the Group's leases, as lessor, have not been affected.

In general, at inception of a contract, the Group assesses whether the contract is, or contains a lease. That is if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. At the commencement date, a lease liability is recognised at the present value of the lease payments over the term of the



lease and an asset representing the right to use the underlying asset during the same term. The interest expense on the lease liability and the depreciation expense on the right-of-use asset are recognised separately.

After the commencement date, the right-of-use asset is measured at cost less any accumulated depreciation and any accumulated impairment losses. The lease liability is measured by increasing the carrying amount to reflect interest on the lease liability and reducing the carrying amount to reflect lease payments made.

The financial liability from the lease is only remeasured if there is a modification to the lease, recognising the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lease contracts whose payments for the right to use the asset over the lease term depend on an index, such as the CPI, are recognised initially using the index at the commencement date, remeasuring the liability and adjusting the asset in subsequent measurements in accordance with the change in the index used.

The Group has decided to use the practical expedients by applying the simplified approach to leases previously classified as operating leases under IAS 17 *Leases*:

- Not apply IFRS 16 to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4 *Determining whether an Arrangement contains a Lease*.
- Application of a single discount rate to a portfolio of contracts with similar characteristics.
- Exclusion of initial direct costs from the measurement of the right-of-use asset at the date of initial application.
- Exclusion of leases for which the lease term ends within 12 months of the date of initial application.
- Exclusion of leases for which the underlying asset is of low value.

The Group has decided to present right-of-use assets separately from other assets under non-current assets and the associated lease liabilities under non-current and current liabilities in the consolidated balance sheet. Depreciation of right-of-use assets is presented in "Depreciation and amortisation" and the related interest in "Finance costs" in the consolidated statement of profit or loss. Adoption of this standard as at the date of first-time application had the following impacts:

	1 January 2019
<b>Thousands of euros</b>	
Right-of-use assets - Offices and premises	3,046
Right-of-use assets - Broadcasting stations	410
Lease liabilities	3,456

When measuring lease liabilities for leases classified previously as operating leases, the Group discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted-average rate applied is 3.7%.

The impact of application of this new standard on the consolidated statement of cash flows was an increase in cash flows from operating activities and a decrease in cash flows from

financing activities for an insignificant amount, with no impact on the Group's cash generation.

### **Responsibility for the information and estimates**

The information in these consolidated financial statements is the responsibility of the directors of the Parent.

In the consolidated financial statements for the year ended 31 December 2019, estimates were occasionally made in order to quantify certain of the assets, liabilities, income, expenses and obligations reported herein.

These estimates relate basically to:

- The Group tests its goodwill and intangible assets with indefinite useful lives for impairment annually. The determination of the recoverable amount of the cash-generating units (CGUs) to which the goodwill or the intangible asset with an indefinite useful life was assigned implies the use of estimates. Recoverable amount is the higher of fair value less costs of disposal and value in use. The Group generally uses discounted cash flow methods to determine these values. The discounted cash flow calculations are based on the five-year projections of the budgets approved by the Group. The cash flows take into account past experience and represent the best estimate of future market performance. Cash flows beyond the fifth year are extrapolated using individual growth rates. The key assumptions for measuring fair value less costs of disposal and value in use include growth rates, the weighted average cost of capital (WACC) and tax rates. The estimates, including the methodology applied, could have a significant impact on the values and impairment loss (see Notes 3.c and 4).

The fair value of equity instruments classified as financial assets is subject to uncertainties given the absence of benchmark market values for these investments. The directors' base these estimates on the business plans of the investees or the existence of possible commitments, rights or set-price repurchase or capitalisation agreements.

- The estimation of the useful life of certain intangible assets, such as trademarks and licenses, is highly subjective. Note 3.c indicates the useful lives considered for each type of intangible asset.

- Calculations of programme amortisation for both in-house and acquired programmes in each year require the application of relevant estimates that best reflect the pattern of consumption. The main estimate used by the Group is the number of showings aired based on showings contracted, as detailed in Note 3.f.

- The Group performs estimates to calculate impairment losses on in-house programmes and on rights to acquired programmes in order to recognise the required impairment losses on such assets. These impairment losses require the use of estimates of future showings of the various types of products and are based on past experience.

- The Group assesses the recoverability of the tax assets based on the estimated future tax bases calculated using the business plan of the tax group of which the Parent is the head, and the periods considered to be reasonable (see Note 20).

- The estimates made in relation to share-based payments are subject to uncertainty in terms of the conditions to be satisfied and the evaluation of the plan. The conditions and evaluation of the plan are detailed in Note 24.



- The estimates, judgements and sources of uncertainty related to the application of the new IFRS 15 and IFRS 9 are described in Note 3 and those related to application of the new IFRS 16 in the section on Significant changes in accounting policies in this note.

- The Group is subject to regulatory and legal procedures. If it is probable that an obligation at year-end will give rise to an outflow of resources, a provision is recognised provided the amount can be reliably estimated. Legal proceedings usually involve complicated matters and are subject to substantial uncertainty. Consequently, the directors make a significant judgement when determining whether it is probable that the process will result in an outflow of resources and estimating the amount (see Notes 3.k and 12).

Although these estimates were made on the basis of the best information available at 31 December 2019 on the events analysed, events that take place in the future might make it necessary to change these estimates (upwards or downwards) in subsequent reporting periods. Changes in accounting estimates would be applied prospectively, with the effects recognised in the related statements of profit or loss.

At year-end 2019, the Group had positive working capital of EUR 213,219 thousand.

#### **Significant judgements in the application of accounting principles**

The Group considers that it exercises control over an investee when it has sufficient power to govern its financial and operating policies so as to obtain benefits from its activities.

The Group does not exercise control over the associates that are 50% owned, because under the shareholders agreements it has no powers to participate in the associates' financial and operating policies.

## b) Basis of consolidation

### Subsidiaries

Subsidiaries included the scope of consolidation:

Company name	Registered address	Year incorporated	Activity	Owner	2019 percentage
Antena 3 Multimedia, S.L.U.	Madrid	2004	Audiovisual services	Atresmedia Corporación de Medios de Comunicación, S.A.	100
Antena 3 Noticias, S.L.U. (*)	Madrid	2012	Audiovisual productions	Atresmedia Corporación de Medios de Comunicación, S.A.	100
Atres Advertising, S.L.U. (*)	Madrid	2004	Advertising management	Atresmedia Corporación de Medios de Comunicación, S.A.	100
Atresmedia Cine, S.L.U. (*)	Madrid	2000	Audiovisual productions	Atresmedia Corporación de Medios de Comunicación, S.A.	100
6&M Producciones y Contenidos Audiovisuales, S.L.U.	Madrid	2013	Audiovisual productions	Atresmedia Corporación de Medios de Comunicación, S.A.	100
Atresmedia Música, S.L.U.	Madrid	2015	Management of music rights	Atresmedia Corporación de Medios de Comunicación, S.A.	100
Atresmedia Studios, S.L.U.	Madrid	2010	Production, distribution, dissemination and marketing of audiovisual content	Atresmedia Corporación de Medios de Comunicación, S.A.	100
Atresmedia Capital, S.L.U. (formerly Flooxplay, S.L.U.)	Madrid	2015	Production and distribution of audiovisual content	Atresmedia Corporación de Medios de Comunicación, S.A.	100
Música Aparte, S.A.U. (*)	Madrid	1990	Management of copyrights	Atresmedia Corporación de Medios de Comunicación, S.A.	100
I3 Televisión, S.L.	Madrid	2005	Provision of IT services	Atresmedia Corporación de Medios de Comunicación, S.A.	100
Smartclip Latam, S.L. (*)	Madrid	2015	Provision of advertising services	Atres Advertising, S.L.U.	94.82
Smartclip Hispania, S.L. (*)	Madrid	2008	Advertising services in digital environments	Smartclip Latam, S.L.	100
Smartclip Comunicacao Ltda (*)	Sao Paulo	2012	Advertising services in digital environments	Smartclip Latam, S.L.	77.84
Smartclip México S.A.P.I. de C.V. (*)	Mexico City	2011	Advertising services in digital environments	Smartclip Latam, S.L.	99.99
Smartclip Colombia S.A.S.	Bogota, DC	2018	Advertising services in digital environments	Smartclip Latam, S.L.	100
Smartclip Perú S.A.C.	Lima	2018	Advertising services in digital environments	Smartclip Latam, S.L.	99.98
Smartclip Argentina S.A.	Buenos Aires	2018	Advertising services in digital environments	Smartclip Latam, S.L.	55.20
Smartclip Chile SPA	Santiago de Chile	2018	Advertising services in digital environments	Smartclip Hispania, S.L.	100
Adconion Brasil, S.L.	Sao Paulo	2014	Dormant	Smartclip Latam, S.L.	99.99
Uniprex, S.A.U. (*)	Madrid	1982	Radio broadcasting services	Atresmedia Corporación de Medios de Comunicación, S.A.	100
Antena 3 Televisión Digital Terrestre de Canarias, S.A.U.	Las Palmas	2006	Local digital terrestrial television	Uniprex, S.A.U.	100
Uniprex Televisión Digital Terrestre de Andalucía, S.L.	Seville	2006	Local digital terrestrial television	Uniprex, S.A.U.	74.20
Uniprex Televisión, S.L.U. (*)	Madrid	2004	Indirect management of TV service	Uniprex, S.A.U.	100.00
Inversión y Distribución Global de Contenidos, S.L.U.	Valencia	2005	Local digital terrestrial television	Uniprex, S.A.U.	100

(\*) Audited companies.

Subsidiaries over which the Group exercises control are fully consolidated and all their assets, liabilities, income, expenses and cash flows are included in the consolidated financial statements after making adjustments to adapt the accounting policies used to

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those applied by the Group, and adjustments and eliminations relating to intra-Group transactions.

The profit or loss of subsidiaries acquired during the year are included in the consolidated statement of profit or loss only from the acquisition date to the year-end.

### **Associates**

Ownership interests in associates over which Atresmedia Corporación de Medios de Comunicación, S.A. or its subsidiaries do not exercise control, but have the capacity to exercise significant influence in their management, normally through agreements with other shareholders, were accounted for in the consolidated financial statements using the equity method. Under the equity method of accounting, the investment is recognised at cost, including any goodwill arising on the acquisition, and is subsequently adjusted on the basis of the changes in its equity, in proportion to the Group's share of ownership. The Group's share of the profit and loss of these companies is recognised, net of the related tax effect, under "Share of profit/(loss) of companies accounted for using the equity method" in the consolidated statement of profit or loss, and any dividends received from these companies are deducted from the value of the investment.

Associates:

Company name	Registered address	Year incorporated	Activity	Owner	2019 percentage
Atres Hub Factory, S.L.	Barcelona	2015	Creation of digital businesses	Atresmedia Corporación de Medios de Comunicación, S.A.	50
Aunía Publicidad Interactiva, S.L.	Madrid	2013	Online advertising management	Atres Advertising, S.L.U.	50
Hola Televisión América, S.L.	Madrid	2011	Audiovisual communication services	Atresmedia Corporación de Medios de Comunicación, S.A.	50
Hola TV Latam, S.L.	Madrid	2013	Audiovisual communication services	Hola Televisión América, S.L.	100
Hola TV US, LLC	Miami	2013	Audiovisual communication services	Hola TV Latam, S.L.	100

### **Changes in the scope of consolidation and main transactions in 2019**

- A purchase agreement was entered into on 30 April 2019 whereby the Parent acquired 155 shares of I3 Televisión, S.L. representing 50.00% of its share capital, for EUR 1. This increased the Group's ownership interest in this company to 100%. This company is now fully consolidated.
- On 27 November 2019, Smartclip Argentina S.A., a subsidiary of Smartclip Latam, S.L., increased capital, leaving the Parent with a 55.20% share of the company's share capital.
- On 31 December 2019, Smartclip Latam, S.L. carried out two purchase-and-sale transactions of shares in its subsidiary, Smartclip Comunicacao Ltda., acquiring a total of 161 shares and raising its ownership interest to 77.84%.

### **Other changes not affecting the scope of consolidation in 2019**

- On 30 April, the Parent contributed capital to offset losses of EUR 387 thousand to its subsidiary I3 Televisión, S.L. In December, it contributed a further EUR 229 thousand.
- On 29 September 2019, the Parent made a capital and share premium contribution of EUR 375 thousand to associate Atres Hub Factory, S.L. This did not result in any increase in its ownership interest in the company.

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## Subsidiaries and associates at 31 December 2019:

Company name	Registered address	Year incorporated	Activity	Owner	2018 percentage
Antena 3 Multimedia, S.L.U.	Madrid	2004	Audiovisual services	Atresmedia Corporación de Medios de Comunicación, S.A.	100
Antena 3 Noticias, S.L.U. (*)	Madrid	2012	Audiovisual productions	Atresmedia Corporación de Medios de Comunicación, S.A.	100
Atres Advertising, S.L.U. (*)	Madrid	2004	Advertising management	Atresmedia Corporación de Medios de Comunicación, S.A.	100
Atresmedia Cine, S.L.U. (*)	Madrid	2000	Audiovisual productions	Atresmedia Corporación de Medios de Comunicación, S.A.	100
6&M Producciones y Contenidos Audiovisuales, S.L.U. (formerly Atresmedia Foto, S.L.U.)	Madrid	2013	Audiovisual productions	Atresmedia Corporación de Medios de Comunicación, S.A.	100
Atresmedia Música, S.L.U.	Madrid	2015	Management of music rights	Atresmedia Corporación de Medios de Comunicación, S.A.	100
Atresmedia Studios, S.L.U. (formerly Cordina Planet, S.L.U.)	Madrid	2010	Production, distribution, dissemination and marketing of audiovisual content	Atresmedia Corporación de Medios de Comunicación, S.A.	100
Flooxplay, S.L.U.	Madrid	2015	Production and distribution of audiovisual content	Atresmedia Corporación de Medios de Comunicación, S.A.	100
Música Aparte, S.A.U. (*)	Madrid	1990	Management of copyrights	Atresmedia Corporación de Medios de Comunicación, S.A.	100
Smartclip Latam, S.L. (*)	Madrid	2015	Provision of advertising services	Atres Advertising, S.L.U.	94.82
Smartclip Hispania, S.L. (*)	Madrid	2008	Advertising services in digital environments	Smartclip Latam, S.L.	100
Smartclip Comunicacao Ltda (*)	Sao Paulo	2012	Advertising services in digital environments	Smartclip Latam, S.L.	76.00
Smartclip México S.A.P.I. de C.V. (*)	Mexico City	2011	Advertising services in digital environments	Smartclip Latam, S.L.	99.99
Smartclip Colombia S.A.S.	Bogota, DC	2018	Advertising services in digital environments	Smartclip Latam, S.L.	100
Smartclip Perú S.A.C.	Lima	2018	Advertising services in digital environments	Smartclip Latam, S.L.	99.98
Smartclip Argentina S.A.	Buenos Aires	2018	Advertising services in digital environments	Smartclip Latam, S.L.	60.00
Smartclip Chile SPA	Santiago de Chile	2018	Advertising services in digital environments	Smartclip Hispania, S.L.	100
Adconion Brasil, S.L.	Sao Paulo	2014	Dormant	Smartclip Latam, S.L.	99.99
Uniprex, S.A.U. (*)	Madrid	1982	Radio broadcasting services	Atresmedia Corporación de Medios de Comunicación, S.A.	100
Antena 3 Televisión Digital Terrestre de Canarias, S.A.U.	Las Palmas	2006	Local digital terrestrial television	Uniprex, S.A.U.	100
Uniprex Televisión Digital Terrestre de Andalucía, S.L.	Seville	2006	Local digital terrestrial television	Uniprex, S.A.U.	74.20
Uniprex Televisión, S.L.U. (*)	Madrid	2004	Indirect management of TV service	Uniprex, S.A.U.	100
Inversión y Distribución Global de Contenidos, S.L.U. (formerly Uniprex Valencia, S.L.U.)	Valencia	2005	Local digital terrestrial television	Uniprex, S.A.U.	100

(\*) Audited companies

Company name	Registered address	Year incorporated	Activity	Owner	2018 percentage
I3 Televisión, S.L.	Madrid	2005	Provision of IT services	Atresmedia Corporación de Medios de Comunicación, S.A.	50
Atres Hub Factory, S.L.	Barcelona	2015	Creation of digital businesses	Atresmedia Corporación de Medios de Comunicación, S.A.	50
Aunía Publicidad Interactiva, S.L.	Madrid	2013	Online advertising management	Atres Advertising, S.L.U.	50
Hola Televisión América, S.L.	Madrid	2011	Audiovisual communication services	Atresmedia Corporación de Medios de Comunicación, S.A.	50
Hola TV Latam, S.L.	Madrid	2013	Audiovisual communication services	Hola Televisión América, S.L.	100
Hola TV US, LLC	Miami	2013	Audiovisual communication services	Hola TV Latam, S.L.	100

### **Changes in the scope of consolidation and main transactions in 2018**

- On 15 January 2018, subsidiary Smartclip Latam, S.L. set up Smartclip Colombia S.A.S., with initial share capital of EUR 903, fully subscribed and paid up. Its object is the rendering of online advertising services. On 23 March 2018, approval was given to increase share capital, subscribed in full by the sole shareholder for EUR 22 thousand. This company is fully-consolidated by the Group.

- On 3 April 2018, an agreement was entered into for the sale of Smartclip Perú S.A.C. whereby group companies Smartclip Latam, S.L. and Smartclip Colombia S.A.S. acquired 99.8% and 0.2%, respectively, of the shares of the new subsidiary, for a total cost of EUR 13 thousand. Its object is the rendering of online advertising services. This company is fully-consolidated by the Group.

- On 17 October 2018, subsidiary Smartclip Latam, S.L. subscribed for 60,000 shares representing 60.0% of the share capital of Smartclip Argentina SA for EUR 358. Its object is the rendering of digital advertising services. This company is fully-consolidated by the Group.

- On 23 November 2018, subsidiary Smartclip Latam, S.L. subscribed for 1,000 shares representing 100% of the share capital of Smartclip Chile SPA for EUR 10,237. Its object is the rendering of digital advertising services. This company is fully-consolidated by the Group.

- On 23 October 2018, the deed for the change in corporate name of subsidiary Uniprex Valencia TV, S.L.U. to Inversión y Distribución Global de Contenidos, S.L.U. was placed on public record.

- On 26 November 2018, the deed for the change in corporate name of subsidiary Atresmedia Foto, S.L.U. to 6&M Producciones y Contenidos Audiovisuales, S.L.U. was placed on public record.

- On 1 June 2018, the sole director of Canal Media Radio, S.A. Sociedad Unipersonal signed Common Terms of Merger with Uniprex, S.A. Sociedad Unipersonal (as absorbing company) in accordance with Article 49 of Law 3/200 on structural changes of companies entailing the merger by absorption of a wholly owned subsidiary, since the absorbing company is the sole shareholder and owner of all the shares and equity interest composing the absorbed company's share capital. The Common Terms of Merger, drafted and subscribed by the sole director of the merging companies, was placed on file with the competent mercantile registers on 18 June 2018.

On 8 October 2018, Atresmedia Corporación de Medios de Comunicación, S.A., the sole shareholder of Uniprex, S.A., approved the merger whereby Canal Media Radio, S.A. Sociedad Unipersonal is absorbed by Uniprex, S.A. Sociedad Unipersonal, resulting in its

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*Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails*



dissolution without liquidation pursuant to the merger; and, as the merger balance sheet, the last balance sheet of the year ended 31 December 2017.

The date from which the operations of absorbed company, which is extinguished, are deemed to be performed for accounting purposes by the absorbing company, is 01 January 2018.

These merger resolutions were published in the Official Bulletin of the Mercantile Register (Oficial del Registro Mercantil) on 19 October 2018. On 20 December 2018, the deed for the merger by absorption of Canal Media Radio, S.A. was placed on record following after it was filed with the Mercantile Register.

This transaction did not have any impact on the Group's consolidated financial statements.

### **Other changes not affecting the scope of consolidation in 2018**

- On 15 February 2018, the Parent made a capital and share premium contribution of EUR 103 thousand and EUR 309 thousand, respectively, to associate Hola Televisión América, S.L. This did not result in any increase in its ownership interest in the company.

- On 8 November 2018, Atres Advertising, S.L.U. made a contribution of EUR 721 thousand to subsidiary Latam, S.L. without this resulting in any change of its percentage ownership interest in this company.

- In December 2018 the Parent contributed capital to offset losses of EUR 698 thousand to its subsidiary Atresmedia Foto, S.L. Unipersonal and EUR 252 thousand to subsidiary Flooxplay, S.L. Unipersonal. These transactions did not result in a change in the percentage of ownership.

### **c) Comparative information**

The information contained in consolidated financial statements for 2018 is presented solely for comparison with the information relating to the annual period ended 31 December 2019. As indicated in Note 2 a) the Group has elected to apply IFRS 16 using the modified retrospective approach, not restating the balances for 2018. This must be taken into account in the comparability of the opening balances in the accompanying consolidated financial statements.

## **3. Accounting policies**

The principal accounting policies used in preparing the Group's consolidated financial statements, in accordance with EU-IFRSs, were as follows:

### **a) Goodwill**

Goodwill arising on consolidation represents the excess of the cost of acquisition, plus the non-controlling interests and fair value of any previous investment in the acquiree, over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition.

The assets and liabilities acquired are measured provisionally at the date on which control of the company is obtained, and the resulting value is reviewed within a maximum period of one year from the acquisition date until the fair value of the assets and liabilities has been calculated definitively. Any difference between the acquisition cost and the fair value of the assets and liabilities acquired is recognised provisionally as goodwill.

Goodwill acquired on or after 1 January 2004 is measured at acquisition cost and goodwill acquired before then is stated at the carrying amount at 31 December 2003. In both cases, at the end of each reporting period goodwill is reviewed for impairment (i.e. a reduction in

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its recoverable amount to below its carrying amount) and, if there is any impairment, the goodwill is written down with a charge to "Impairment and gains/(losses) on disposals of non-current assets" in the accompanying consolidated statement of profit or loss.

In this connection, the goodwill arising from the business combination is allocated to each of the Group's cash-generating units (CGUs) or groups of CGUs expected to benefit from the synergies of the combination.

An impairment loss recognised for goodwill may not be reversed in a subsequent period.

## **b) Business combinations**

Business combinations are accounted for using the acquisition method.

The application of the acquisition method requires, as indicated in IFRS 3 *Business Combinations*, at the acquisition date, the recognition and fair value measurement of the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree, and the recognition and measurement of a gain from a bargain purchase made on highly favourable terms.

The acquirer shall identify the acquisition date, which is the date on which it obtains control of the acquiree.

The cost of a business combination is the sum of the acquisition-date fair values 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 either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

Costs related to the issue of equity instruments or the financial liabilities given as consideration for the acquired assets and liabilities are not included in the cost of the business combination.

The cost of a business combination also does not include the fees paid to legal advisers and other professionals involved in the combination, or any costs incurred internally in this connection. These amounts are taken directly to profit or loss.

Any contingent consideration transferred by the Group in exchange for the acquiree shall be recognised at the acquisition-date fair value.

At the acquisition date, the acquirer shall recognise a gain or goodwill, measured as the excess of the aggregate of the consideration transferred measured at acquisition-date fair value and the amount of any non-controlling interest in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed, measured at fair value. If the consideration is lower, the resulting gain shall be recognised in profit or loss.

The consideration transferred by the acquirer in exchange for the acquiree includes any asset or liability resulting from a contingent consideration arrangement. The acquirer shall recognise the acquisition-date fair value of contingent consideration as part of the consideration transferred in exchange for the acquiree.

If the measurement process required for the application of the acquisition method is incomplete by the end of the reporting period in which the combination occurs, the accounting is considered provisional. The provisional values may be adjusted over the necessary period to obtain the information required. This period shall not exceed one year. The effects of measurement period adjustments are recognised retrospectively against goodwill, and comparative information for prior periods must be adjusted as needed.

Subsequent changes that are not measurement period adjustments to the fair value of the contingent consideration classified as an asset or a liability shall be recognised in accordance with IAS 39, with any resulting gain or loss recognised either in profit or loss or in other comprehensive income, unless the contingent consideration has been classified as equity, in which case it shall not be remeasured and its subsequent settlement shall be accounted for within equity.

After initial recognition at cost, goodwill acquired in a business combination is measured at cost less accumulated impairment losses. The impairment tests are performed annually, or more frequently if events or changes in circumstances indicate that the asset may have become impaired.

In accordance with IAS 36, goodwill acquired in a business combination shall, from the acquisition date, be allocated to each of the Group's CGUs that are expected to benefit from the synergies of the business combination, irrespective of whether other assets and liabilities of the acquiree are assigned to those units.

Impairment of goodwill is measured as the excess of its carrying amount over the recoverable amount of the CGU or CGUs to which the goodwill relates.

An impairment loss recognised for goodwill may not be reversed in a subsequent period.

### **c) Other intangible assets**

#### *Administrative concessions*

"Administrative Concessions" includes mainly the cost assigned to administrative concessions for radio broadcasting acquired by Uniprex, S.A. Unipersonal. The amount recognised in the accompanying consolidated balance sheet relates to the expenses incurred to directly obtain the concession from the State or from the related public body. This amount is amortised on a straight-line basis over the initial term of the radio licence.

#### *Licences and trademarks*

These accounts include the amounts relating to the licence and the trademark identified in the purchase price allocation process arising from the merger with Gestora de Inversiones Audiovisuales La Sexta, S.A. carried out in 2012 (see Note 5).

The trademark is amortised on a straight-line basis over its estimated useful life of 20 years.

This license has a specific expiration, but historically has been tacitly renewed. Based on an analysis of all the relevant factors, the Group considers that there is no foreseeable limit to the period over which it is expected to generate net cash inflows for the Group. As a result, the licence was classified as an intangible asset with an indefinite useful life and, therefore, is not amortised. This indefinite useful life classification is reviewed at each reporting date and is consistent with the related business plans.

At the end of each reporting period the directors assess the licence for impairment (i.e. a reduction in its recoverable amount to below its carrying amount) and, if there is any impairment, it is written down with a charge to "Impairment and gains/(losses) on disposals of non-current assets" in the accompanying consolidated statement of profit or loss.

Impairment losses on this intangible asset may not be reversed in a subsequent reporting period.

In 2013, the Parent reviewed the values of the licence and trademark identified in the purchase price allocation process performed under the framework of the aforementioned



merger. For this review, which involved an independent expert, the standard procedures for analyses of this kind were used. It was concluded that the assigned values were within reasonable valuation ranges. Consequently, it was not necessary to modify the initial estimates or make any adjustments at that year-end.

#### *Computer software*

Costs incurred by third parties for the acquisition and development of the basic computer systems used in the Group's management are recognised with a charge to "Other intangible assets" in the consolidated balance sheet.

Computer system maintenance costs are recognised with a charge to the consolidated statement of profit or loss for the year in which they are incurred.

Computer software is amortised on a straight-line basis over a period of between three and five years from the entry into service of each application, on the basis of its estimated useful life.

#### *Audiovisual productions*

"Audiovisual productions" relates to the costs incurred by the Group in film productions. The carrying amount includes the production costs incurred for remuneration paid to co-producers, and the launch and initial marketing costs. The Group begins amortising films from the date of commercial release or of when the rating certificate is obtained. Each film production is amortised on an annual basis over the film's first commercial cycle, which the Group considers to be four years. Accordingly, at the end of each reporting period, the percentage amortised until then is approximately the same as the percentage of the income generated until then with respect to the present value of the estimated total income for that period. The Group recognises the appropriate write-downs to reduce the carrying amounts of these film productions when it is considered necessary based on future marketing expectations.

Since the activities relating to the acquisition, production and marketing of audiovisual productions are part of the Group's normal operations, the amortisation charges to consolidated profit or loss are included under "Programme amortisation and other procurements". Acquisitions of productions are classified as investing activities in the statement of cash flows since the related amounts are recovered over various years.

### **d) Property, plant and equipment**

Land and buildings acquired for the performance of the Group's business activity or for administrative purposes are stated in the consolidated balance sheet at acquisition or production cost, less any accumulated depreciation and any recognised impairment losses.

Replacements or renewals of complete items that lead to a lengthening of the useful life of the assets or to an increase in their economic capacity are recognised as additions to property, plant and equipment, and the items replaced or renewed are derecognised.

Periodic maintenance, upkeep and repair expenses are recognised in the statement of profit or loss on an accrual basis as incurred.

Fixtures and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is calculated, using the straight-line method, on the basis of the acquisition cost of the assets less their residual value. The land on which the buildings and other structures stand are considered to have an indefinite useful life and, therefore, is not depreciated.

The period property, plant and equipment depreciation charge is recognised in the consolidated statement of profit or loss using the straight-line method at rates based on the following average years of estimated useful life of the various assets:

	Years of useful life
Buildings	33
Plant	5 to 8
Machinery and tools	6 to 10
Furniture	10
Computer hardware	3 to 7
Transport equipment and other items of property, plant and equipment	5 to 10

Property, plant and equipment held under finance leases are recognised in the corresponding asset category of the leased item and depreciated over the shorter of the expected useful life of the asset, on the same basis as owned assets, or the lease term.

### **Impairment of other intangible assets and property, plant and equipment**

The Group assesses the existence of indications of potential impairment of the non-financial assets subject to amortisation and depreciation, in order to check whether carrying amount exceeds recoverable amount, understood to be the higher of fair value less costs of disposal and value in use.

For property, plant and equipment and audiovisual productions, impairment is calculated item by item, on an individual basis.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods. A reversal of an impairment loss is recognised as income.

## **e) Leases**

The Group has entered into several leases granting it the right to use the leased assets.

### **1. Right-of-use assets and lease liabilities**

As of 1 January 2019, in accordance with IFRS 16 (see Note 2 a), at inception of a contract, the Group assesses whether the contract is, or contains a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The period of use by the Group of an asset includes consecutive and non-consecutive periods of time. The Group reassesses whether a contract is, or contains, a lease only if the terms and conditions of the contract are changed.

At the commencement date, the Group recognises a right-of-use asset and a lease liability. The right-of-use asset comprises the amount of the lease liability, any lease payments made at or before the commencement date, less any lease incentives received, any initial direct costs incurred and an estimate of costs to be incurred in dismantling or restoring the underlying asset, as explained in the accounting policy for provisions.

The Group measures the lease liability at the present value of the lease payments that are not paid at the commencement date. The Group discounts the lease payments at the appropriate incremental borrowing rate except where the interest rate implicit in the lease can be readily determined.

Outstanding lease payments comprise fixed payments, less any lease incentive receivable, variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date, amounts expected to be payable under residual value guarantees, the exercise price of a purchase option if it is reasonably certain that the option will be exercised, and payments of penalties for terminating the lease if the lease term reflects the exercise of an option to terminate the lease.

The Group measures right-to-use assets at cost less any accumulated depreciation and any accumulated impairment losses, adjusted for any remeasurement of the lease liability.

If the lease transfers ownership of the underlying asset to the Group by the end of the lease term or if the cost of the right-of-use asset reflects the exercise a purchase option, the Group depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Group depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The Group applies the criteria for impairment of non-current assets explained in section d above for the right-of-use asset.

Lease contracts whose payments for the right to use the asset over the lease term depend on an index, such as the CPI, are recognised initially using the index at the commencement date, remeasuring the liability and adjusting the asset in subsequent measurements in accordance with the change in the index used.

The Group measures the lease liability by increasing the carrying amount to reflect interest on the lease liability; reducing the carrying amount to reflect the lease payments made; and remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments.

The Group recognises the variable lease payments not included in the initial recognition in profit or loss in the period in which the event or condition that triggers those payment occurs.

The Group recognises the remeasurement of the liability as an adjustment to the right-of-use asset until it has been reduced to zero and then in profit or loss.

The Group remeasures the lease liability by discounting the lease payments using a revised interest rate if there is a change in the lease term or in the assessment of an option to purchase the underlying asset.

The Group remeasures the lease liability if there is a change in the amounts expected to be payable under a residual value guarantee or in an index or a rate used to determine those payments, including a change to reflect changes in market rental rates following a market rent review.

The Group accounts for a lease modification as a separate lease if the modification increases the scope of the lease by adding the right to use or more underlying assets, and the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

If the modification does not give rise to a separate asset, at the date of the modification, the Group allocates the consideration in the modified contract as explained previously, determines the lease term and remeasures the lease liability by discounting the revised lease payments using a revised discount rate. The Group decreases the carrying amount of the right-of-use asset to reflect partial or full termination of the lease for lease modifications that decrease the scope of the lease and recognises any gain or loss in profit or loss. For other modifications, the Group adjusts the carrying amount of the right-of-use asset.

## 2. Leases

In 2018, leases that, on inception, transferred to the Group substantially all the risks and rewards incidental to ownership of the asset were classified as finance leases and all other leases as operating leases.

### Finance leases

At the commencement of the lease term, the Group recognises an asset and a liability at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments. Initial direct costs are capitalised and included as an increase in the value of the asset. Minimum payments are apportioned between the finance charge and the reduction of the outstanding liability. Finance costs are taken to profit or loss using the effective interest rate method.

Contingent rents are recognised as expenses when it is likely that they will be incurred.

The accounting principles applied to assets used by the Group under arrangements classified as finance leases are the same as those explained in section (d) (property, plant and equipment). However, if there is no reasonable certainty that the Group will obtain ownership of the assets by the end of the lease term, the assets are depreciated over the shorter of their useful life and the lease term.

### Operating leases

Lease payments under operating leases, less lease incentives received, are recognised as an expense on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the benefits.

Contingent rents are recognised as expenses when it is likely that they will be incurred.

## f) Financial instruments

### (i) Recognition and classification of financial instruments

Financial instruments are classified, at initial recognition, as a financial asset, a financial liability or an equity instrument in accordance with the economic substance of the contractual arrangement and the definitions of a financial asset, a financial liability and an equity instrument provided for in IAS 32 *Financial Instruments: Presentation*.

Financial instruments are recognised when the Group acquires an obligation as a party to an agreement or legal business in accordance with the related terms.

For measurement purposes, the Group classifies financial instruments in the categories of financial assets and liabilities at fair value through profit or loss, separating those designated initially as held for trading or mandatorily measured at fair value through profit or loss, financial assets and liabilities measured at amortised cost and financial assets at fair value through other comprehensive income, separating equity instruments designated as such from the rest of the financial assets. The Group classifies financial assets other than those designated as at fair value through profit or loss and equity instruments measured at fair value through other comprehensive income, in accordance with the business model and the contractual cash flow characteristics. The Group classifies financial liabilities as measured at amortised cost, except those designated as at fair value through profit or loss and those held for trading.

The Group classifies a financial asset or liability as held for trading if:

- is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;

- on initial recognition is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking;
- is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instruments; or
- is an obligation to deliver financial assets obtained in a loan that it does not own.

The Group classifies a financial asset at amortised cost if it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Group classifies a financial asset at fair value through other comprehensive income if it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The business model is determined by the Group's key management personnel at a level that reflects how groups financial assets are managed together to achieve a particular business objective. The Group's business model refers to how it manages its financial assets in order to generate cash flows.

Financial assets that are held within a business model whose objective is to hold assets in order to collect contractual cash flows are managed to realise cash flows by collecting contractual payments over the life of the instrument. The Group manages the assets held within the portfolio to collect those particular contractual cash flows. In determining whether cash flows are going to be realised by collecting the financial assets' contractual cash flows, the Group considers the frequency, value and timing of sales in prior periods, the reasons for those sales and expectations about future sales activity. However, sales in themselves do not determine the business model and therefore cannot be considered in isolation. Instead, information about past sales and expectations about future sales provide evidence related to how the Group's stated objective for managing the financial assets is achieved and, specifically, how cash flows are realised. The Group considers information about past sales within the context of the reasons for those sales and the conditions that existed at that time as compared to current conditions. For these purposes, the Group considers that trade debtors and receivables that will be transferred to third parties and that will not result in their derecognition are held in this business model.

Although the objective of the Group's business model may be to hold financial assets in order to collect contractual cash flows, it need not hold all of those instruments until maturity. Thus, the Group's business model is to hold financial assets to collect contractual cash flows even when sales of financial assets occur or are expected to occur in the future. The Group understands that this requirement is met when sales are due to an increase in the financial assets' credit risk. In the rest of the cases, the sales are insignificant both individually and in aggregate, whether they are frequent or infrequent.

The financial assets that are held within a business model whose objective is achieved by both holding assets to collect contractual cash flows and selling them are managed to realise cash flows by collecting contractual payments and selling them in accordance with the Group's various needs. In this type of business model, the Group's key management personnel have made a decision that both collecting contractual cash flows and selling financial assets are integral to achieving the objective of the business model. To achieve this objective, the Group will both collect contractual cash flows and sell financial assets. Compared to the previous business model, this business model will typically involve greater frequency and value of sales.

The contractual cash flows that are payments of principal and interest on the principal amount outstanding are consistent with a basic lending arrangement. In a basic lending arrangement, consideration for the time value of money and credit risk are typically the most significant elements of interest. However, in such an arrangement, interest can also include consideration for other basic lending risks (for example, liquidity risk) and costs (for example, administrative costs) associated with holding the financial asset for a particular period of time. In addition, interest can include a profit margin that is consistent with a basic lending arrangement.

The Group, at initial recognition, designates a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

The rest of the financial assets as measured at fair value through profit or loss.

Financial assets and liabilities that are contingent consideration arising in a business combination are classified as financial assets and liabilities measured at fair value through profit or loss.

The Group classifies liabilities held for trading as at fair value through profit or loss.

The Group, at initial recognition, designates a financial liability as measured at fair value through profit or loss when doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring the assets or liabilities or recognising the gains and losses on them on different bases, of a group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management strategy, and information about the group is provided internally on that basis to the Group's key management personnel.

The Group classifies the rest of its financial liabilities, except financial guarantee contracts, commitments to provide a loan at a below-market interest rate, and financial liabilities that arise when a transfer of financial assets does not qualify for derecognition or when the continuing involvement approach applies, such as financial liabilities at amortised cost.

## *(ii) Offsetting*

A financial asset and a financial liability are offset when, and only when, the Group has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. For the Group to have a legally enforceable right, the right of set-off must not be contingent on a future event and must be legally enforceable in the normal course of business, the event of default and the event of insolvency or bankruptcy.

## *(iii) Financial assets and liabilities at fair value through profit or loss*

Financial assets and liabilities at fair value through profit or loss are measured initially at fair value. Transaction costs that are directly attributable to the acquisition or issue of the financial asset or liability are recognised as an expense as incurred.

The fair value of a financial instrument at initial recognition is normally the transaction price, unless the price contains different elements of the instrument, in which case the Group determines its fair value. If the Group determines that the fair value of an instrument differs from the transaction price, it recognises the difference as a gain or loss, only where the value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets. In the rest of the cases, the Group recognises the difference in profit or loss to the extent that it arises from a change in a factor that market participants would take into account when pricing the asset or liability. (IFRS 7.28 a)



After initial recognition, the instruments are measured at fair value through profit or loss. Changes in fair value include the interest and dividend component. Fair value is not reduced by transaction costs incurred on sale or disposal.

Nevertheless, for financial liabilities designated at fair value through profit or loss, the Group recognises the gains or losses attributable to own credit risk in other comprehensive income. Amounts deferred in other comprehensive income are not reclassified subsequently to profit or loss.

The Group determines the changes in fair value attributable to credit risk by first computing the liability's internal rate of return at the start of the period using the fair value of the liability and the liability's contractual cash flows, and deducting from this rate of return the benchmark interest rate to arrive at an instrument-specific component of the credit risk, provided that the changes in the benchmark interest rate are not significant and there are no other factors giving rise to significant changes in fair value. At the end of each reporting period, the Group discounts the contractual cash flows at the rate equal to the sum of the benchmark interest rate at that date and the instrument-specific component of the credit risk. The difference between the fair value at the end of the reporting period and this amount represents the change attributable to credit risk.

*(iv) Financial assets and liabilities at amortised cost*

Financial assets and liabilities at amortised cost are recognised initially at fair value, plus or minus transaction costs incurred, and are subsequently measured at amortised cost using the effective interest method.

*(v) Financial assets measured at cost*

Equity instruments for which there is insufficient information available to measure fair value or those for which there is a wide range of possible fair value measurements and related derivative instruments that must be settled by delivery of the investments are measured at cost. However, any time a more reliable measurement of the asset or contracts becomes available to the Group, these assets are measured at fair value, with any gains or losses recognised in profit or loss, or other comprehensive income if the instrument is designated as at fair value through other comprehensive income.

*(vi) Reclassifications of financial instruments*

The Group reclassifies financial assets when it changes its business model for managing those financial assets. The Group does not reclassify financial liabilities.

If the Group reclassifies a financial asset out of the amortised cost measurement category and into the fair value through profit or loss measurement category, it recognises any gains or losses between the fair value and the carrying amount in profit or loss. From that moment, the Group does not separately recognise the interest on the financial asset.

If the Group reclassifies a financial asset out of the fair value through profit or loss measurement category and into the amortised cost measurement category, it considers the new gross carrying amount for applying the effective interest rate method and the recognition of credit losses.

If the Group reclassifies a financial asset out of the amortised cost measurement category and into the fair value through other comprehensive income measurement category, it recognises any gains or losses between the fair value and the carrying amount in other comprehensive income. The effective interest rate and measurement of expected credit losses are not adjusted as a result of the reclassification. However, the cumulative amount of expected credit losses is recognised in other comprehensive income and disclosed in the notes.

If the Group reclassifies a financial asset out of the fair value through other comprehensive income measurement category and into the amortised cost measurement category, the financial asset is reclassified at its fair value. The amount deferred in equity is adjusted against the carrying amount of the asset. The effective interest rate and measurement of expected credit losses are not adjusted as a result of the reclassification.

If the Group reclassifies a financial asset out of the fair value through profit or loss measurement category and into the fair value through other comprehensive income measurement category, the effective interest rate and expected credit losses are determined by reference to the fair value at the reclassification date.

If the Group reclassifies a financial asset out of the fair value through other comprehensive income measurement category and into the fair value through profit or loss measurement category, the amount deferred in equity is reclassified to profit or loss. From that moment, the Group does not separately recognise the interest on the financial asset.

(vii) *Impairment*

The Group recognises a loss allowance in profit or loss for expected credit losses on financial assets measured at amortised cost, fair value through profit or loss, finance lease receivables, contract assets, loan commitments and financial guarantee contracts.

For financial assets measured at fair value through other comprehensive income, expected credit loss is recognised in other comprehensive income and does not reduce the fair value of the assets.

At each reporting date, the Group measures the loss allowance at an amount equal to 12-month expected credit losses for financial instruments for which the credit risk has not increased significantly since initial recognition or when it considers that the credit risk has no longer increased significantly.

At each reporting date, the Group assesses whether the credit risk on a financial instrument -whether assessed on an individual or collective basis- has increased significantly since initial recognition. For the collective assessment, the Group has grouped instruments on the basis of shared credit risk characteristics. When making an assessment of whether the credit risk on a financial instrument or group of financial instruments has increased significantly, the Group uses the change in the risk of a default occurring over the expected life of the financial instrument instead of the change in the amount of expected credit losses. To make that assessment, the Group compares the risk of a default occurring at each reporting date with that at the date of initial recognition.

When assessing whether there has been a significant increase in credit risk, the Group considers all reasonable and supportable information, including that which is forward-looking, specifically:

- Internal and external credit ratings;
- Existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant change in the borrower's ability to meet its debt obligations;
- Actual or expected significant changes in the operating results of the borrower;
- Significant increases in credit risk on other financial instruments of the same borrower;
- Significant changes in the value of collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements;
- Relevant macroeconomic information.



The Group has determined the impairment of cash and cash equivalents at 12-month expected credit losses. The Group considers that cash and cash equivalents have low credit risk based on the credit ratings of the financial institutions where it holds its cash and deposits.

For trade receivables, the Group uses an expected credit loss model entailing a three-stage approach. It must distinguish between measuring loss allowances based on 12-month expected credit losses from initial recognition (Stage 1), lifetime expected credit losses when there is a significant increase in credit risk (Stage 2) and lifetime expected credit losses where a credit event has occurred (Stage 3). The criteria adopted by the Group is to recognise as incurred losses balances more than 180 days past due and events occurring that indicate the existence of an incurred loss. The Group has chosen a simplified approach for measuring expected credit losses in Stages 1 and 2, based on an analysis of debt performance from a history of trade receivables segmented by business models. A matrix of default rates is established applicable to outstanding balances not impaired due to age of the debt or the borrower's financial position.

*(viii) Derecognitions, modifications and cancellations of financial assets*

The Group applies criteria of derecognition of financial assets to a part of a financial asset or a part of a group of similar financial assets, or a financial asset or a group of similar financial assets.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire or have been transferred and the Group has transferred substantially all the risks and rewards of ownership. In addition, financial assets for which the Group retains the contractual rights to receive the cash flows are only derecognised when it assumes contractual obligations to pay the cash flows to one or more recipients and the following requirements are met:

- Payment of the cash flows is dependent on prior collection;
- The Group may not sell or pledge the financial asset; and
- The cash flows collected on behalf of the eventual recipients are remitted without any material delay. The Group is not entitled to reinvest the cash flows. Investments in cash and cash equivalents made by the Group during the settlement period, i.e. between the collection date and the date of required remittance agreed with the eventual recipients, are excluded from the application of this criterion, provided that the interest earned is passed to the eventual recipients.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the consideration received net of transaction costs, including any new asset obtained less any liability assumed, plus any accumulated gain or loss deferred in other comprehensive income is recognised in profit or loss, except for equity instruments designated as at fair value through in other comprehensive income.

*(ix) Interest and dividends*

The Group recognises interest revenue using the effective interest rate method. The effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial asset to the carrying amount, based on the contractual terms of the financial asset and excluding expected credit losses, except for purchased or originated credit-impaired financial assets.

Interest is recognised on the gross carrying amount of the financial assets, except for purchased or originated credit-impaired financial assets and financial assets that have subsequently become credit-impaired financial assets. For the first, the Group applies the effective interest rate adjusted for the initial credit risk and for the second it applies the effective interest rate to the amortised cost.

Changes in estimates of cash flows are discounted at the effective interest rate or the original credit-adjusted effective interest rate and are recognised in profit or loss.

(x) *Derecognition and modifications of financial liabilities*

The Group derecognises a financial liability, or part of a financial liability, when it discharges the obligation or is legally released from primary responsibility for the obligation through a judicial proceeding or by the creditor.

An exchange between the Group and the counterparty of debt instruments with substantially different terms and substantial modifications of the terms of initially recognised liabilities are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

The Group considers that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability.

If the exchange is accounted for as an extinguishment of the original financial liability, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. Otherwise, the modified cash flows are discounted at the original effective interest rate, with any difference with the previous carrying amount recognised in profit or loss. In addition, any costs or fees adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

The Group recognises the difference between the carrying amount of the financial liability or part of that liability extinguished or transferred to a third party and the consideration paid, including any non-cash assets transferred or liability assumed, in profit or loss.

## **g) Programme rights**

Programme rights are measured, based on their nature, as follows:

1. Inventoriable in-house productions (programmes produced to be rerun, such as fictional series) are measured at acquisition and/or production cost, which includes both external costs billed by third parties for programme production and for the acquisition of resources, and internal production costs calculated by applying previously determined internal rates on the basis of the time during which operating resources are used in production. The costs incurred in producing the programmes are recognised, based on their nature, under the appropriate headings in the consolidated statement of profit or loss and are included under "Programme rights" in the consolidated balance sheet with a credit to "Additions to programme rights" under "Programme amortisation and other procurements" in the accompanying consolidated statement of profit or loss.

Amortisation of these programmes is recognised under "Programme amortisation and other procurements" in the consolidated statement of profit or loss, on the basis of the number of showings. Following the analyses performed by the Parent of actual showings of this type of programme, series broadcast weekly are amortised at 99% of the production cost when the first showing of each episode is broadcast and at 1% when the broadcast is repeated. Series broadcast daily are amortised in full when first broadcast. In any event, the maximum period for the amortisation of programmes is three years, after which the unamortised amount is written off.

2. Non-inventoriable in-house productions (programmes produced to be shown only once) are measured using the same methods and procedures as those used to measure

inventoriable in-house productions. Programmes produced and not shown are recognised at year-end under "Programme rights - In-house productions and productions in progress" in the consolidated balance sheet. The cost of these programmes is recognised as an expense under "Programme amortisation and other procurements" in the consolidated statement of profit or loss at the time of the first showing.

3. Rights on external productions (films, series and other similar productions) are measured at acquisition cost. These rights are deemed to have been acquired when the term of the right commences for the Group.

When payments to external production distributors are made in foreign currency, these rights are recognised in the consolidated balance sheet by applying the spot exchange rate prevailing when the term of the right commences to the foreign currency amount.

Also, the initial value of all the external productions acquired by the Group for which derivative instruments designated as cash flow hedges pursuant to IFRS 9 were entered into in order to hedge foreign currency risk includes:

- § the portion of the cumulative gain or loss on the hedging instrument recognised in equity (effective hedge) at the beginning of the term of the right; and
- § the accumulated exchange gains or losses on that date for payments made prior to the commencement of the term of the right.

The amortisation of the rights is recognised under "Programme amortisation and other procurements" in the consolidated statement of profit or loss, on the basis of the number of showings, at the rates shown below, which are established on the basis of the number of showings contracted:

FILMS	Number of showings contracted		
	1	2	3 or more
1st showing	100%	50%	50%
2nd showing	-	50%	30%
3rd showing	-	-	20%

SERIES	Number of showings contracted	
	1	2 or more
1st showing	100%	50%
2nd showing	-	50%

There are no assets specifically acquired to be amortised within a period of over 12 months. All the programme assets are subject to amortisation, i.e. included in the operating cycle, once they are recognised as assets. It is not possible to ascertain which assets will be amortised beyond the period of 12 months. The programming policy has differing degrees of specificity depending on when the programme schedules are prepared. The Parent estimates the total amount which would be amortised beyond that year, based on past experience and the approximate estimate of amortisation.

4. Live broadcasting rights are measured at cost. The cost of these rights is recognised as an expense under "Programme amortisation and other procurements" in the consolidated statement of profit or loss at the time of broadcast of the event on which the rights were acquired.

### *Advances on purchases of rights*

Payments made to external production distributors prior to the commencement of the term of the rights are recognised under "Programme rights - Advances on purchases of rights" in the consolidated balance sheet and if such payments are in foreign currency they are translated to euros at the year-end exchange rate.

### *Provisions*

The Group makes write-downs to reduce the unamortised value of in-house productions and of the rights on external productions which it considers will not be shown. When these rights expire, the amounts set aside are applied to cancel the costs.

### *Classification of programme rights*

In accordance with standard industry practice, programme rights are classified as current assets, since they are consumed in the operating cycle. There are no programme assets specifically acquired to be consumed within a period of over 12 months.

## **h) Classification of financial assets and liabilities as current or non-current**

In the accompanying consolidated balance sheet, financial assets and liabilities are classified on when they are expected to be realised or settled, i.e. financial assets and liabilities that are expected to be realised or settled over the course of the company's normal operating cycle or within 12 months are classified as current, and those that do not meet these requirements as non-current.

Deferred tax assets and liabilities are classified as non-current regardless of when they are expected to be realised or settled.

## **i) Derivative hedging instruments**

All the derivatives held by the Group at 31 December 2019 were OTC derivatives, whose prices are not quoted on active futures and options markets. Therefore, it is necessary to apply generally accepted valuation techniques, based on objective market data, used in the measurement of financial instruments of this nature.

### *Foreign currency hedges*

The derivative financial instruments held by the Group companies are basically cash flow hedges arranged to mitigate the exposure of the cash flows associated with external production rights to fluctuations in the USD/EUR exchange rate.

Foreign currency hedging contracts are measured using the spot exchange rate and the forward interest rate curves of the related currencies. The "market" foreign currency hedge is calculated at year-end and is compared with the price of the foreign currency hedge entered into.

### *Interest rate hedges*

The Parent entered into interest rate swaps (IRSs) to fix the finance cost arising from the floating rates applicable to each of the tranches of the syndicated financing arranged.

With IRSs, the parties agree to swap, on predetermined dates, the cash flows resulting from applying an interest rate to a nominal amount. The rate applied to the payments of a portion is fixed, whereas the other portion is a floating rate (based on a benchmark rate).

### *Cross currency swaps*

The Group uses cross currency swaps that swap capital and interest flows in dollars for other capital and interest flows in euros, fixing the exchange rate and half-yearly coupons of the debt from bonds and debentures at a fixed rate in euros. These are cash flow hedges that hedge exposure to the currency and interest rate risk of the cash flows related to the hedged underlying.

Hedging instruments are recognised in the consolidated balance sheet at fair value, with the portion of any gain or loss on the hedging instrument determined to be effective recognised directly in equity, in accordance with hedge accounting.

For foreign currency hedges, when the term of the broadcasting rights designated as a hedged item commences, the related gains or losses on the derivative that were recognised in equity are included in the initial carrying amount of the asset. Any changes in fair value of the hedging instrument from then are recognised directly in profit or loss for the year.

The Group measures the effectiveness of these cash flow hedges by analysing the extent to which changes in the fair value or the cash flows of the hedging instrument offset changes in the fair value or the cash flows of hedged items attributable to the hedged risk. The fair value measurement method is based on the present value of the estimated future contractual cash flows by the parties to the hedging instrument. This determination is made using the European Central Bank's benchmark exchange rate on the closing date, the quoted prices of swaps at the measurement date, interest rates prevailing on the measurement, credit risk and generally accepted techniques in the market. For effective hedges, the gain or loss on the hedging instrument is recognised temporarily in equity and taken to profit or loss in the periods in which the hedged transaction affects profit or loss.

When the hedge no longer meets the criteria for hedge accounting and the forecast transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to net profit or loss.

The Group's policy is to categorise its assets and liabilities measured at fair value within the fair value hierarchy, based on the availability of observable market inputs, and only transfers items between levels when these inputs are not available. In 2019, no transfers were made between the fair value hierarchy levels corresponding to the Group's financial instruments.

### **j) Treasury shares**

All the treasury shares of the Parent held at 31 December 2019 represented 0.298% of the share capital of the Parent of the Group (2018: 0.351%). The transactions involving treasury shares in 2019 and 2018 are summarised in Note 11-e. The amount relating to these treasury shares is recognised as a reduction of equity.

Acquisitions or sales of treasury shares (see Note 11-e) are debited or credited to equity at the amount paid or received, respectively. Therefore, the gains or losses arising from these transactions are not reflected in the consolidated statement of profit or loss, but are recognised as an addition to or a reduction of equity, respectively.

### **k) Bonds and debentures and bank borrowings**

Payables for bonds and debentures, loans, credit facilities and bank overdrafts are recorded at the amount received. Borrowing costs are recognised in the consolidated statement of profit or loss on an accrual basis using the effective interest method and are added to the

carrying amount of the liability to the extent that they are not settled in the period in which they arise.

### **l) Provisions and contingencies**

When preparing the consolidated financial statements, the Group's directors made a distinction between:

- Provisions: the Group recognises provisions when it has a present obligation (legal or constructive) as a result of a past event, and a reliable estimate can be made of the amount of the obligation.
- Contingent liabilities: possible obligations arising from past events, and whose existence will be confirmed by the occurrence or non-occurrence of one or more future events not wholly within the control of the Group.
- Provisions for termination benefits: termination benefits for involuntary termination are recognised when there is a formal plan for the termination and a valid expectation among the affected employees that the employment will be terminated either because the plan has started or because its main characteristics have been published.

The consolidated financial statements include all provisions for which it is considered more likely than not that the corresponding obligation will have to be settled. Contingent liabilities are not recognised in the consolidated financial statements, but rather are disclosed, unless the possibility of an outflow in settlement is considered to be remote.

Provisions are measured at the present value of the best estimate of the amount required to settle the obligation or transfer it, taking into account the information available on the event and its consequences. Adjustments arising from the discounting of the provision are recognised as a finance expense when accrued.

Reimbursement receivable from another party on settlement of the obligation is recognised as an asset, provided that the reimbursement is virtually certain, unless there is a legal relationship whereby a portion of the risk has been externalised as a result of which the Group is not liable; in this situation, the reimbursement is taken into account for the purpose of estimating the amount of the related provision that should be recognised.

### **m) Revenue and expense recognition**

The Group performs an extensive analysis of the various classes of customer contracts covered by IFRS 15, identifying the performance obligations for each contract type as provided for in the standard, and verifying the approaches for determining the transaction price and its allocation to each of the obligations, and recognising the revenue upon satisfaction of the obligation of the contract.

For advertising revenues from television, radio and digital, which make up more than 90% of the Group's total revenue, the performance obligation is met when the advertising campaign is broadcast, which is when the related revenue is recognised. IFRS 15 requires allocation of the transaction price on a stand-alone selling price basis, which can affect the amount and the timing of revenue recognition. In the case of certain commercial policies that could include a separate performance obligation (no-cost showings), the conclusion is that since the accrual of these campaigns coincides with the annual period, the estimation of the stand-alone selling price of the performance obligations satisfied with the customer is not applicable.

For other business lines, including audiovisual production and distribution, and the sale of content, customer contracts generally have a large variety of performance obligations, from contracts involving production services to multi-year licensing agreements, as well

as ancillary rights and services (e.g. commercial rights, sponsorship rights, production consultancy services) and distribution activities. Application of IFRS 15 requires Atresmedia to assess the nature of its promise in contracts (access or usage rights) to determine whether the licences grant a right to access content (revenue recognised over time) or a right to use content (revenue recognised at a point in time). The Group has determined that most of the licences granted are licences for which revenue is recognised when the customer obtains control. In addition, variable consideration is recognised based on the best estimate in accordance with the entity's experience.

The Group's expenses are recognised on an accrual basis.

#### **n) Income tax: deferred tax assets and liabilities**

Income tax expense for the year is calculated as the sum of current tax resulting from applying the corresponding tax rate to taxable profit for the year less any allowable tax deductions, taking into account changes in deferred tax assets and liabilities.

In general, deferred tax liabilities are recognised for all taxable temporary differences, whereas deferred tax assets (including those relating to temporary differences, and the carry forward of unused tax credits and unused tax losses) are recognised only to the extent that it is considered probable that the consolidated companies will have sufficient taxable profits in the future against which the deferred tax assets can be utilised.

Deferred tax assets and liabilities are calculated by applying the tax rate expected to apply at the date of reversal, which is 25% for 2019 and subsequent years.

The Group began filing consolidated tax returns in 2001, with Atresmedia Corporación de Medios de Comunicación, S.A. as the head of the tax group (see Note 20).

#### **o) Foreign currency transactions and balances**

The functional currency of the Parent and its investees is the euro. Therefore, transactions in currencies other than the euro are deemed to be "foreign currency transactions" and are recognised by applying the exchange rates prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currency are translated to euros at the year-end exchange rates, while non-monetary items measured at historical cost are translated at the exchange rates prevailing on the date of the transaction. Non-monetary assets measured at fair value are translated to euros by applying the exchange rate prevailing at the date when the fair value was determined.

The gains or losses arising on settlement of foreign currency transactions and on the translation to euros of monetary assets and liabilities denominated in foreign currency are recognised in profit or loss. However, the exchange differences arising in monetary items forming part of a net investment in a foreign operation are recognised as translation differences in other comprehensive income.

The exchange gains and losses related to monetary financial assets or liabilities denominated in foreign currency are also recognised in profit or loss.

Monetary financial assets denominated in foreign currency are considered recognised at amortised cost in the foreign currency. Therefore, the exchange differences associated with the changes in amortised cost are recognised in profit or loss.

The Group presents the effect of translating the deferred tax assets and liabilities denominated in foreign currency, together with deferred income tax, in profit or loss.



#### p) Earnings per share

Basic earnings per share are calculated by dividing net profit for the year attributable to the Parent by the weighted average number of ordinary shares of the Parent outstanding during the year.

Diluted earnings per share is calculated by dividing net profit for the period attributable to equity holders of the Parent by the weighted average number of ordinary shares outstanding adjusted for the dilutive effects of potential ordinary shares, understood as shares whose conversion into outstanding shares could reduce earnings per share. (See Note 22)

#### q) Share-based payments

The Group has a remuneration scheme entailing the delivery of shares to certain directors and senior executives (see Note 24).

Remuneration via the issue of equity instruments is recognised by applying the following criteria:

- If the equity instruments granted vest immediately upon being granted, the services received are recognised with a charge to profit or loss, with a simultaneous increase in "Other equity instruments";
- If the equity instruments granted vest when the beneficiaries complete a specified period of service, the services received are recognised over the vesting period with a credit to "Other equity instruments".

The Group determines the fair value of the instruments granted on the grant date.

The market vesting conditions are considered when the fair value of the instrument is determined. Vesting conditions, other than market conditions, are taken into account by adjusting the number of equity instruments included in the measurement of the amount of the transaction, so that, ultimately, the amount recognised for services received is based on the number of equity instruments expected to eventually vest. Consequently, the Group recognises the amount for the services received over the vesting period, based on the best estimate of the number of instruments that will vest, and this estimate is revised based on the rights expected to vest.

Once the services received and the corresponding increase in "Other equity instruments" are recognised, no additional adjustments are made to equity after the vesting date, without prejudice to making the corresponding reclassifications in equity.

If the Group withholds equity instruments to pay income tax to the taxation authority, the plan is treated as having been settled in full in equity instruments, except for the portion of the instruments withheld that exceed the fair value of the tax obligation.

## 4. Goodwill

Changes in goodwill in the consolidated balance sheets in 2019 and 2018:

Thousands of euros	Balance at 31/12/17	Transfer due to merger	Balance at 31/12/18	Balance at 31/12/19
<b>RADIO BUSINESS:</b>				
Uniprex, S.A.U.	148,113	1,899	150,012	150,012
Canal Media Radio, S.L.U.	1,899	(1,899)	-	-
<b>OTHER BUSINESSES:</b>				
Smartclip Group (Note 4)	13,211	-	13,211	13,211
<b>Total</b>	<b>163,223</b>	<b>-</b>	<b>163,223</b>	<b>163,223</b>



In 2018, the transfer arose from the merger by absorption by group company Uniprex, S.A.U. of its subsidiary Canal Media Radio, S.L.U. (see Note 2).

The Group periodically assesses the recoverability of the goodwill described in the foregoing table, considering the CGUs on the basis of the business activities of its subsidiaries, which at year-end were the radio business and other businesses.

The Group uses the strategic plans of the various businesses to calculate any possible impairment losses and discounts expected future cash flows. The Group prepares the various projections individually, taking into account the expected future cash flows of each CGU.

The Group has considered the impact of applying IFRS 16 on the estimates of the net value of the assets associated with each CGU and the expected future cash flows for the CGU taking into account the right-of-use assets in the CGU's carrying amount and the impact of the new standard on the determination of operating flows, reducing the value in use of the CGU by the amount of the lease liability. These considerations did not have a significant impact on the conclusions regarding the existence of impairment year-end 2019.

For the "Radio" CGU (which coincides with the radio segment) and the "Smartclip" CGU, the key assumptions on which the cash flow projections are based relate mainly to advertising markets (the data relate to scenarios used by market participants to set prices, based on a consensus among analysts, who are independent third parties, employed by the industry in general), audience figures, advertising efficiency ratios and cost forecasts. Except for advertising, which is measured on the basis of external information sources, the rest of the assumptions are based on past experience and reasonable projections approved by management of the Company and updated in accordance with the performance of the advertising markets.

These future projections cover the next five years. The cash flows for the years not considered in the projections are estimated to be perpetual, with growth of 1.5% for the "Radio" CGU and 2.0% for the "Smartclip" CGU.

In assessing value in use, the estimated cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the assets. In order to calculate the rate, the current time value of money and the risk premiums generally used by analysts for the business and geographical area (Spain) are taken into account, giving rise to future discount rates of 8.2% for the "Radio" CGU in 2019 and 9.5% in 2018, and 12.0% for the "Smartclip" CGU in 2019 and 2018.

Based on the methods used and the estimates, projections and assessment of value in use available to the Parent's directors, at the date of presentation of these consolidated financial statements, it was determined that the goodwill recognised by the Group represents its carrying amount and, therefore, it was not necessary to recognise any impairment losses.

The Group also performs sensitivity analyses when there are reasonably possible changes in the key assumptions used to calculate the recoverable amounts of the "Radio" and "Smartclip" CGUs. In this respect, the sensitivity analyses are prepared under various scenarios on the basis of the variables deemed most significant, i.e. advertising revenues, which depend mainly on the performance of the advertising market and the investment share, and the discount rate.

The sensitivity analysis conducted on the "Radio" CGU demonstrates that an increase in the perpetuity growth rate of 1.0% would give rise to an increase in value of EUR 30 million, whereas a decrease in the perpetuity growth rate of 1.0% would give rise to a decrease in value of EUR 23 million. Also, a 1.0% decrease in the discount rate would give rise to an increase of EUR 38 million, and a 1.0% increase in the discount rate would give rise to a decrease of EUR 28 million. The changes in value used in all these sensitivity analyses would not reduce the recoverable amount to below the carrying amount.

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Forecasts for the radio business point to moderate growth in the advertising market, of 1.4%, in line with levels of recent years, with Uniprex maintaining its market share. Certain adjustments are also expected in programming expenses in less commercial time slots. This leaves room for EBITDA to grow by about 6% on average over the next five years. The point from which carrying amount would exceed recoverable amount would be around a cumulative annual market decline of around 1% per year over five years.

For the "Smartclip" CGU, the sensitivity analysis conducted demonstrates that an increase in the perpetuity growth rate of 1.0% would give rise to an increase in value of EUR 4 million, whereas a decrease in the perpetuity growth rate of 1.0% would give rise to a decrease in value of EUR 4 million. Also, a 1.0% decrease in the discount rate would give rise to an increase of EUR 6 million, and a 1.0% increase in the discount rate would give rise to a decrease of EUR 5 million. The changes in value used in all these sensitivity analyses would not reduce the recoverable amount to below the carrying amount.

Forecasts for Smartclip are for significant growth in its digital advertising market, of 9.5% annually. With expenses not directly linked to sales set to remain largely stable, the EBITDA margin is estimated to increase from 9% to 17% in five years.

Given the large positive difference between recoverable amount and carrying amount, there are currently no reasonably potential changes that could reverse this difference.

## 5. Other intangible assets

Breakdown of balances and transactions under other intangible assets in the consolidated balance sheets in 2019 and 2018:

Thousands of euros	Balance at 1/1/19	Additions or charges	Disposals or reductions	Transfers	Balance at 31/12/19
<u>Cost:</u>					
Administrative concessions	46,302	-	-	-	46,302
Licences	82,804	-	-	-	82,804
Trademarks	21,591	-	-	-	21,591
Intellectual property	1,913	-	-	123	2,036
Computer software	69,088	119	(20)	4,852	74,039
Audiovisual productions	128,966	99	(155)	36,920	165,830
Other intangible assets	5,279	-	-	-	5,279
Intangible assets in progress	22,528	21,238	(108)	(41,895)	1,763
	<b>378,471</b>	<b>21,456</b>	<b>(283)</b>	<b>-</b>	<b>399,644</b>
<u>Accumulated amortisation:</u>					
Administrative concessions	(42,882)	(552)	-	-	(43,434)
Trademarks	(6,749)	(1,133)	-	-	(7,882)
Intellectual property	(1,596)	(111)	-	-	(1,707)
Computer software	(57,242)	(5,177)	18	-	(62,401)
Audiovisual productions	(119,284)	-	10	(41,225)	(160,499)
Other intangible assets	(2,873)	(368)	-	-	(3,241)
	<b>(230,626)</b>	<b>(7,341)</b>	<b>28</b>	<b>(41,225)</b>	<b>(279,164)</b>
Provisions	<b>(523)</b>	<b>(347)</b>	<b>360</b>	<b>-</b>	<b>(510)</b>
<b>Total</b>	<b>147,322</b>	<b>13,768</b>	<b>105</b>	<b>(41,225)</b>	<b>119,970</b>

Thousands of euros	Balance at 1/1/18	Additions or charges	Disposals or reductions	Transfers	Balance at 31/12/18
<b>Cost:</b>					
Administrative concessions	46,301	-	-	1	46,302
Licences	82,804	-	-	-	82,804
Trademarks	21,591	-	-	-	21,591
Intellectual property	1,761	-	(2)	154	1,913
Computer software	63,961	208	(744)	5,663	69,088
Audiovisual productions	121,048	1,364	(100)	6,654	128,966
Other intangible assets	5,279	-	-	-	5,279
Intangible assets in progress	9,321	25,679	-	(12,472)	22,528
	<b>352,066</b>	<b>27,251</b>	<b>(846)</b>	<b>-</b>	<b>378,471</b>
<b>Accumulated amortisation:</b>					
Administrative concessions	(42,271)	(611)	-	-	(42,882)
Trademarks	(5,669)	(1,080)	-	-	(6,749)
Intellectual property	(1,435)	(164)	3	-	(1,596)
Computer software	(52,834)	(4,868)	460	-	(57,242)
Audiovisual productions	(111,322)	-	-	(7,962)	(119,284)
Other intangible assets	(2,148)	(725)	-	-	(2,873)
	<b>(215,679)</b>	<b>(7,448)</b>	<b>463</b>	<b>(7,962)</b>	<b>(230,626)</b>
<b>Provisions:</b>	<b>(863)</b>	<b>-</b>	<b>438</b>	<b>(98)</b>	<b>(523)</b>
<b>Total</b>	<b>135,524</b>	<b>19,803</b>	<b>55</b>	<b>(8,060)</b>	<b>147,322</b>

Fully amortised intangible assets in use at 31 December 2019 amounted to EUR 205,348 thousand (2018: EUR 195,245 thousand).

There were no impairments of intangible assets in 2019 and 2018. The existence of impairment of audiovisual productions was determined based on an analysis of the related investment through a case-by-case assessment of the value in use of each film, taking into account updated estimates of the revenue produced in each commercial exploitation window, recognising, where necessary, an impairment loss under "Programme amortisation and other procurements" since the impairment relates to cinema productions shown on television channels.

For the licence, since this asset has an indefinite useful life, a recoverability assessment was performed at year-end. The key assumptions on which the cash flow projections are based relate mainly to advertising markets (the data relate to scenarios used by market participants to set prices, based on a consensus among analysts, who are independent third parties, employed by the industry in general), audience figures, advertising efficiency ratios and cost forecasts. Except for advertising, which is measured on the basis of external information sources, the rest of the assumptions are based on past experience and reasonable projections approved by management of the Parent and updated in accordance with the performance of the advertising markets. The measurement of this licence is included in the "Television" CGU.

Taking the correlation between the advertising market and the trend of domestic demand and private consumption as a reference, a retrospective analysis was conducted using the historical data of these two variables, based on market consensus. These future projections cover the next five years. The discount rate used to measure this intangible asset in 2019 was 8.9% (2018: 9.0%). A perpetual growth rate of zero was used.

The sensitivity analysis shows that a 1.0% increase in the perpetual growth rate gives rise to an increase in value of EUR 31 million, while a decrease of 1.0% gives rise to a decrease of EUR 25 million. Similarly, a 1.0% increase in the discount rate gives rise to a decrease of EUR 50 million, and a 1.0% decrease in the discount rate gives rise to an increase of EUR 63 million. The changes in value used in all these sensitivity analyses would not reduce the recoverable amount to below the carrying amount.

A cumulative annual decline of 1.1% is estimated for the TV advertising market over the next five years, with 9.5% growth in the digital advertising market, according to independent

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analysts' estimates. At the same time, revenue in the various exploitation windows and types of content produced is expected to grow. With it, the "Television" CGU's EBITDA margin stands to rise from 17.5% to 20% over the next five years. Given the large positive difference between recoverable amount and carrying amount, there are currently no reasonably potential changes that could reverse this difference.

## 6. Property, plant and equipment

Breakdown of the balances and transactions recognised under property, plant and equipment in the consolidated balance sheets in 2019 and 2018:

Thousands of euros	Balance at 1/1/19	Additions or charges	Disposals or reductions	Transfers	Balance at 31/12/19
<b>Cost:</b>					
Land and buildings	71,145	-	(117)	1,143	72,171
Plant and machinery	102,500	-	(4,398)	2,213	100,315
Other fixtures and tools	60,263	-	(503)	1,389	61,149
Furniture	12,814	4	(1,307)	270	11,781
Computer hardware	39,966	38	(783)	756	39,977
Transport equipment and other items of prop	1,216	15	(127)	68	1,172
Property, plant and equipment in progress	23	5,903	-	(5,839)	87
	<b>287,926</b>	<b>5,960</b>	<b>(7,235)</b>	<b>-</b>	<b>286,652</b>
<b>Accumulated depreciation:</b>					
Land and buildings	(40,806)	(1,586)	117	-	(42,275)
Plant and machinery	(91,335)	(5,089)	4,435	-	(91,989)
Other fixtures and tools	(54,773)	(1,659)	503	-	(55,929)
Furniture	(11,858)	(267)	1,306	-	(10,819)
Computer hardware	(36,077)	(2,160)	781	-	(37,456)
Transport equipment and other items of prop	(927)	(104)	127	-	(904)
	<b>(235,776)</b>	<b>(10,865)</b>	<b>7,269</b>	<b>-</b>	<b>(239,372)</b>
<b>Provisions</b>	<b>(2,885)</b>	<b>-</b>	<b>8</b>	<b>-</b>	<b>(2,877)</b>
<b>Total</b>	<b>49,265</b>	<b>(4,905)</b>	<b>42</b>	<b>-</b>	<b>44,403</b>

Thousands of euros	Balance at 1/1/18	Additions or charges	Disposals or reductions	Transfers	Balance at 31/12/18
<b>Cost:</b>					
Land and buildings	67,167	-	(124)	4,102	71,145
Plant and machinery	96,868	-	(2,101)	7,732	102,500
Other fixtures and tools	57,794	-	(134)	2,603	60,263
Furniture	12,774	1	(278)	317	12,814
Computer hardware	40,853	34	(2,029)	1,107	39,966
Transport equipment and other items of prop	1,182	58	(24)	-	1,216
Property, plant and equipment in progress	119	15,766	-	(15,862)	23
	<b>276,757</b>	<b>15,859</b>	<b>(4,690)</b>	<b>-</b>	<b>287,926</b>
<b>Accumulated depreciation:</b>					
Land and buildings	(39,318)	(1,582)	94	-	(40,806)
Plant and machinery	(88,407)	(5,023)	2,095	-	(91,335)
Other fixtures and tools	(53,417)	(1,489)	133	-	(54,773)
Furniture	(11,947)	(189)	278	-	(11,858)
Computer hardware	(35,375)	(2,730)	2,028	-	(36,077)
Transport equipment and other items of prop	(855)	(93)	21	-	(927)
	<b>(229,319)</b>	<b>(11,106)</b>	<b>4,649</b>	<b>-</b>	<b>(235,776)</b>
<b>Provisions:</b>	<b>(2,894)</b>	<b>9</b>	<b>-</b>	<b>-</b>	<b>(2,885)</b>
<b>Total</b>	<b>44,544</b>	<b>4,762</b>	<b>(41)</b>	<b>-</b>	<b>49,265</b>

At 31 December 2019, fully depreciated property, plant and equipment in use amounted to EUR 205,691 thousand (2018: EUR 203,203 thousand). The Group does not have any temporarily idle items.

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The Group has taken out insurance policies to cover the possible risks to which its property, plant and equipment are exposed and the claims that might be filed against it for carrying on its business activities.

## 7. Right-of-use assets and lease liabilities

The Group adopted the new IFRS *Leases* on 1 January 2019, applying the recognition, measurement and presentation principles of this standard and those explained in Notes 2 Basis of preparation and 3.e Accounting policies for the right-of-use assets and lease liabilities.

The relevant amounts of leases by class of asset at the adoption of the standard for the first time and at 31 December 2019 are as follows:

Thousands of euros	Right-of-use assets		
	Offices and premises	Broadcasting stations	Total
<b>Balance at 1/1/19</b>	<b>3,046</b>	<b>410</b>	<b>3,456</b>
Additions of right-of-use assets	1,460	252	1,712
Depreciation of right-of-use assets	(1,237)	(144)	(1,381)
<b>Balance at 31/12/19</b>	<b>3,269</b>	<b>518</b>	<b>3,787</b>
<b>Balance at 31/12/19</b>			
Lease liabilities	3,316	525	3,841
Interest expenses on lease liabilities	127	22	149

The Group's right-of-use assets are classified in accordance with the nature of the underlying assets as offices and premises, and broadcasting stations.

For leases whose payments for the right to use the asset over the lease term are linked to the IPC, the liability was remeasured during the year for changes in the updated value of lease payments not made and to adjust the related right-of-use asset.

Breakdown of lease liabilities by maturity at 31 December 2019:

Thousands of euros	2020	2021	2022	2023	2024 y ss	Total
Lease liabilities	1,258	798	428	302	1,055	<b>3,841</b>

The Group also has short-term leases of assets for operations of the various businesses for which it recognised an expense at 31 December 2019 of EUR 5,311 thousand under "Other expenses" in the consolidated statement of profit or loss.

## 8. Investments accounted for using the equity method

Changes in investments accounted for using the equity method in 2019 and 2018:

Thousands of euros	Balance at 1/1/19	Changes in the scope of consolidation	Additions or disposals	Share of profit/(loss)	Other changes	Balance at 31/12/19
<b>Investments accounted for using the equity method</b>						
I3 Televisión, S.L.U.	66	(66)	-	-	-	-
Atres Hub Factory, S.L.	77	-	207	(80)	-	204
Aunia Publicidad Interactiva, S.L.	35	-	(11)	(24)	-	-
Hola TV América Group	-	-	(508)	(293)	802	-
<b>Investments accounted for using the equity method</b>	<b>178</b>	<b>(66)</b>	<b>(312)</b>	<b>(397)</b>	<b>802</b>	<b>204</b>



Thousands of euros	Balance at 1/1/18	Changes in the scope of consolidation	Additions or disposals	Share of profit/(loss)	Other changes	Balance at 31/12/18
<b>Investments accounted for using the equity method</b>						
I3 Televisión, S.L.U.	195	-	(4)	(125)	-	66
Atres Hub Factory, S.L.	120	-	4	(47)	-	77
Aunia Publicidad Interactiva, S.L.	17	-	(8)	26	-	35
Hola TV América Group	-	-	(281)	(1,073)	1,354	-
<b>Investments accounted for using the equity method</b>	<b>332</b>	<b>-</b>	<b>(289)</b>	<b>(1,219)</b>	<b>1,354</b>	<b>178</b>

In April 2019, the Parent acquired an additional 50% stake in I3 Televisión, S.L., increasing its ownership interest to 100%. This company is now fully consolidated. See Note 2.b.

None of the Group's investees are listed on Spanish or foreign stock exchanges.

The following tables presents key financial indicators of companies accounted for using the equity method for 2019 and 2018:

Thousands of euros	2019				
	Assets	Equity	Liabilities	Revenue	Profit or loss
Atres Hub Factory, S.L.	657	407	250	255	(160)
Aunia Publicidad Interactiva, S.L.	536	(51)	587	-	(99)
Hola TV América Group	7,712	(18,418)	26,130	5,989	(588)

Miles de euros	2018				
	Assets	Equity	Liabilities	Revenue	Profit or loss
I3 Televisión, S.L.	2,973	131	2,842	5,170	(252)
Atres Hub Factory, S.L.	929	154	775	155	(94)
Aunia Publicidad Interactiva, S.L.	613	69	543	154	54
Hola TV América Group	9,002	(15,349)	24,351	4,770	(2,146)

## 9. Programme rights

Breakdown of programme rights:

Thousands of euros	2019	2018
<b>Programme rights, net</b>		
Rights on external productions	260,389	309,044
In-house productions and productions in progress	74,420	53,057
Sports broadcasting rights	3,214	3,214
Write-down of external productions	(31,506)	(32,020)
	<b>306,517</b>	<b>333,295</b>
<b>Advances to suppliers</b>	<b>9,115</b>	<b>13,729</b>
<b>Total</b>	<b>315,632</b>	<b>347,024</b>

At 31 December 2019, the Parent had commitments, mainly for the purchase of audiovisual property rights and the production of programmes, amounting to EUR 106,312 thousand (2018: EUR 128,719 thousand). In addition, the Parent has purchase commitments to distributors, the definitive amount and price of which will be determined once the programmes are produced and, in certain cases, by establishing the acquisition price on the basis of box-office takings. The best estimate of these commitments amounted to EUR 68,021 thousand (2018: EUR 85,430 thousand).

Inventoriable in-house productions are expected to be amortised in full and approximately EUR 137,000 thousand of external production rights will be amortised in 2020.

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Changes in write-downs of external production rights included under "Programme rights" in the consolidated balance sheet (in thousands of euros):

	Balance at 1/1/19	Additions	Disposals or reductions	Balance at 31/12/19
<b>Write-downs</b>	<b>(32,020)</b>	<b>(3,325)</b>	<b>3,839</b>	<b>(31,506)</b>

	Balance at 1/1/18	Additions	Disposals or reductions	Balance at 31/12/18
<b>Write-downs</b>	<b>(35,759)</b>	<b>(773)</b>	<b>4,511</b>	<b>(32,020)</b>

The write-downs recognised arose as a result of the decision, based on estimates made by the Parent, that certain titles would not be marketable and it was not likely that they would form part of the Parent's programme schedule. The changes are reflected in "Programme amortisation and other procurements" in the consolidated statement of profit or loss.

## 10. Trade and other receivables

Trade and other receivables in the consolidated balance sheets as at 31 December 2019 and 2018:

Thousands of euros	2019	2018
Trade receivables	235,175	225,907
Receivables from associates and related parties (Note 21)	3,331	40,977
<b>Total trade receivables</b>	<b>238,506</b>	<b>266,884</b>
Other receivables	6,619	8,215
<b>Total other receivables</b>	<b>6,619</b>	<b>8,215</b>

The balances of "Trade receivables" are shown net of allowances for doubtful receivables. The allowance for doubtful receivables at year-end 2019 stood at EUR 18,507 thousand (2018: EUR 22,809 thousand). The charge for 2019 amounted to EUR 843 thousand (2018: EUR 5,671 thousand), and EUR 5,145 thousand of the allowance was used in the year (2018: EUR 3,602 thousand). As a result of the entry into force of IFRS 9 regarding expected loss on trade receivables at 1 January 2018, an adjustment for first-time application of EUR 1,366 thousand was recognised.

As set out in the measurement bases disclosed in Note 3 to these consolidated financial statements, impairment losses are recognised or reversed as a result of valuation adjustments of trade and other receivables based on their due dates and the debtors' equity position. The related write-downs and amounts charged to profit or loss are recognised under "Other operating expenses" in the consolidated statement of profit or loss.

Detail of ageing of past-due balance of trade receivables and the related impairment allowance at 31 December 2019 and 2018:

Thousands of euros	2019		2018	
	Trade receivables	Impairment allowance	Trade receivables	Impairment allowance
Not yet due	218,899	(701)	250,685	(1,005)
Past-due 0-60	17,236	(460)	12,863	(1,018)
Past-due 61-120	2,505	(353)	2,007	(437)
Past-due 121-150	1,286	(399)	1,280	(403)
Past-due 151-180	764	(305)	1,149	(345)
Past-due +180	16,323	(16,289)	21,706	(19,601)

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## 11. Equity

### a) Share capital

The Parent's share capital at 31 December 2019 and 2018 amounted to EUR 169,300 thousand, represented by 225,732,800 fully subscribed and paid shares of EUR 0.75 par value each, which carry the same rights.

The Parent's shareholder structure at year-end 2019:

% ownership	2019
Grupo Pasa Cartera, S.A. Unipersonal	41.70
Ufa Film und Fernseh GMBH	18.65
Treasury shares	0.30
Free float	39.35
<b>Total</b>	<b>100</b>

On 2 December 2019, Imagina Media Audiovisual, S.A.U. ceased to be a shareholder of the Parent after the conclusion of the private placement among qualified investors of the shares it held on that date, as notified to the Spanish National Securities Market Commission (Comisión Nacional del Mercado de Valores) in a price-sensitive information notice (CNMV registration number 284091).

The shares of the Parent are admitted to trading on the Spanish Stock Market Interconnection System (Continuous Market) and all carry the same voting and dividend rights.

There are agreements among the main shareholders that guarantee the Parent's shareholder stability, the grant of mutual rights of acquisition on their shares, the undertaking not to take control of the Parent or to permit a third party to do so, and also include Group management agreements, as described in the consolidated management report.

For management purpose, the Group considers equity attributable to the Parent as capital. The only external requirements to which this capital for management purposes is subject are those contained in current Spanish corporate law. There are no other legal restrictions.

For management purposes, quantitative capital data relating to 2019 and 2018 are presented in the consolidated balance sheet and amount to EUR 438,190 thousand and EUR 420,646 thousand, respectively, under "Equity attributable to equity holders of the parent".

No qualitative or quantitative changes took place in capital management in 2019 from the year before. The change in the amount of capital for management purposes in 2019 did not arise due to any external requirement. In addition, dividends were distributed to the shareholders listed in Note 11-f to the consolidated financial statements.

The Group determines the financial resources required with the dual objective of ensuring the Group companies' capacity to continue operating and maximising profitability by optimising Group debt and equity. The Group's financial structure taken as a whole consists of the equity attributable to the equity holders of the parent (comprising share capital, share premium, retained earnings and other items), borrowings, and cash and cash equivalents. The Group reviews this structure regularly and, taking into account the costs and risks associated with each type of funding (debt or equity), takes the appropriate decisions to achieve the aforementioned objectives.



## b) Share premium

This reserve is unrestricted.

## c) Legal and bylaw reserves

### Legal reserve

Under the Spanish Companies Act, the Company must earmark an amount equal to 10% of profit for the year to a legal reserve until such reserve reaches at least 20% of the capital.

The legal reserve can be used to increase capital by the amount exceeding 10% of the increased capital amount. Except for this purpose, until the legal reserve exceeds the limit of 20% of share capital, it can only be used to offset losses, if there are no other reserves available.

The Parent's legal reserve has reached the legally required minimum.

### Capital redemption reserve

The capital redemption reserve has been appropriated in compliance with Article 335 of the Spanish Companies Act, which establishes that, when the reduction is performed with a charge to profit or unrestricted reserves or through the redemption of shares acquired by the Parent free of charge, the amount of the par value of the redeemed shares or of the decrease in the par value of the shares must be appropriated to a reserve, which shall only be unrestricted where the same requirements as for the capital reduction are met. The amount of this reserve is EUR 8,333 thousand.

### Other restricted reserves

"Legal and bylaw reserves" includes a restricted amount of EUR 281 thousand related to "Reserve for the adjustment of share capital to euros".

At 31 December 2018, "Equity - Retained earnings" in the consolidated balance sheet included a restricted reserve for goodwill arising from subsidiary Uniprex, S.A. Unipersonal of EUR 41,295 thousand. At 31 December 2019, this amount was not changed.

According to the single transitional provision of Royal Decree 602/2016, of 2 December, the goodwill reserve will be reclassified to the Company's voluntary reserves in the amount exceeding the goodwill recognised on the asset side of the balance sheet of this subsidiary.

## d) Contributions to consolidated profit/(loss) by company

Contributions to the consolidated profit/(loss) for the year of fully consolidated companies and companies accounted for using the equity method at 31 December 2019 and 2018:

Thousands of euros	2019	2018
Atresmedia Corporación de Medios de Comunicación subgroup	115,476	77,548
Uniprex subgroup	2,470	10,622
<b>Total</b>	<b>117,946</b>	<b>88,170</b>

## e) Treasury shares

Treasury shares held by the Parent at the end of 2019 and 2018:

Year	No. of shares	Par value (euros)	Average acquisition price (euros)	Total cost (thousands of euros)
2019	673,126	504,845	11.13	7,489
2018	791,880	593,910	11.13	8,810

At 31 December 2019, the shares of the Parent held by it represented 0.298% of share capital and totalled 673,126 shares, with a value of EUR 7,489 thousand and an average acquisition price of EUR 11.13 per share.

Movements in the treasury shares held by the Parent in 2019 and 2018:

Number of shares	2019	2018
At beginning of year	791,880	791,880
Acquisitions	-	-
Sales	-	-
Delivery of shares (Note 11.h)	(118,754)	-
<b>At end of year</b>	<b>673,126</b>	<b>791,880</b>

In order to fulfil the obligations of the remuneration scheme with the delivery of shares to certain directors and senior executives (see Note 24), 791,880 treasury shares were acquired in 2016.

On 23 April 2019, following settlement of the first part of the remuneration plan (see Note 24), the treasury shares held by the Parent decreased after shares were delivered to the beneficiaries.

In order to fulfil the obligations of the second part of the plan, which will be settled in the first four months of 2020, the Company holds 673,126 treasury shares.

Shareholders at the General Meeting held on 22 April 2015 approved a resolution authorising the Parent to acquire treasury shares provided that they did not exceed the maximum legal limit permitted by law at any given time. This limit is set at 10% of the subscribed share capital by Article 509 of the Spanish Companies Act, approved by Legislative Royal Decree 1/2010, of 2 July. This authorisation is in force until 2020 and rendered null and void the authorisation granted at the General Meeting on 24 March 2010.

## f) Dividends

At the General Meeting held on 24 April 2019, the shareholders of the Parent ratified, among other resolutions, the distribution of 2018 profit, allocating EUR 44,988 thousand to the payment of an interim dividend, which was paid on 19 December 2018, and approved a special dividend out of unrestricted reserves for EUR 56,265 thousand, equal to EUR 0.25 per share (after attributing the dividend rights of the treasury shares). This dividend was paid on 20 June 2019 and represented an increase of 33% on the par value.

At the Parent's Board of Directors meeting held on 20 November 2019, a resolution was passed to distribute, out of the Parent's profit for 2019, the gross amount of twenty euro cents (EUR 0.20) for each of the 225,732,800 shares of EUR 0.75 par value representing the share capital, of which 673,126 are treasury shares. Accordingly, the dividend rights inherent to treasury shares were attributed proportionately to the other shares in accordance with Article 148 of the Spanish Companies Act (*Ley de Sociedades de Capital*). This dividend was paid to shareholders as an interim dividend on 18 December 2019, for a total amount of EUR 45,012 thousand, representing 29% of the par value.

## g) Non-controlling interests

Non-controlling interests and changes in 2019 and 2018 (in thousands of euros):

Company	% non-controlling interest	Balance at 31/12/17	Changes in the scope of consolidation	Profit/(loss) for the year	Balance at 31/12/18	Changes in the scope of consolidation	Profit/(loss) for the year	Balance at 31/12/19
Uniprex Televisión Digital Terrestre de Andalucía, S.L.U.	25.80%	(19)	-	(1)	(20)	-	-	(20)
Smartclip Argentina S.A.	44.80%	-	(84)	(12)	(96)	165	(79)	(10)
<b>Total</b>		<b>(19)</b>	<b>(84)</b>	<b>(13)</b>	<b>(116)</b>	<b>165</b>	<b>(79)</b>	<b>(30)</b>

## h) Other equity instruments

At the General Meeting of the Parent held on 22 April 2016, the shareholders approved the implementation of a remuneration plan with the delivery of shares to certain directors and executives. Note 24 details the plan's main features. "Other equity instruments" includes the measurement of the equity instruments assigned, whose fair value at 31 December 2019 amounted to EUR 1,355 thousand. Note 3.p details the measurement and recognition criteria for share-based payment transactions.

The decrease in equity at 31 December 2019 from settlement of the first part of the plan was EUR 899 thousand.

## 12. Provisions and other non-current liabilities

Changes in provisions in 2019 and 2018:

Thousands of euros	Balance at 31/12/18	Charges	Amounts used and payments	Surplus	Transfers	Changes in the scope of consolidation	Balance at 31/12/19
Provisions for litigation	-	-	-	-	24,564	-	24,564
Other provisions	-	1,138	(2,347)	-	14,120	-	12,911
<b>Total non-current provisions</b>	<b>-</b>	<b>1,138</b>	<b>(2,347)</b>	<b>-</b>	<b>38,684</b>	<b>-</b>	<b>37,475</b>
Operating provisions	61,161	49,634	(47,940)	(149)	-	14	62,720
Provisions for litigation	30,850	4,920	(197)	(2,082)	(24,564)	-	8,927
Other provisions	21,054	1,422	(7,089)	(574)	(14,120)	-	693
<b>Total current provisions</b>	<b>113,065</b>	<b>55,976</b>	<b>(55,226)</b>	<b>(2,805)</b>	<b>(38,684)</b>	<b>14</b>	<b>72,340</b>

Thousands of euros	Balance at 31/12/17	Charges	Amounts used and payments	Surplus	Transfers	Changes in the scope of consolidation	Balance at 31/12/18
Operating provisions	62,804	50,281	(51,957)	-	-	33	61,161
Provisions for litigation	30,498	3,357	(439)	(2,590)	-	-	30,826
Other provisions	14,416	9,893	(3,216)	(15)	-	-	21,078
<b>Total current provisions</b>	<b>107,718</b>	<b>63,531</b>	<b>(55,612)</b>	<b>(2,605)</b>	<b>-</b>	<b>33</b>	<b>113,065</b>

"Provisions" in the consolidated balance sheet include, *inter alia*, operating provisions relating basically to volume rebates paid yearly, which accrue over the course of the year, the period additions, use and surplus amounts of which are recognised under "Revenue" in the consolidated statement of profit or loss

There are also "Provisions for litigation" relating to civil, labour, criminal and administrative lawsuits filed against Group companies, which were taken into account in estimating potential contingent liabilities. Noteworthy, in view of their amount, were the lawsuits with certain collection societies. The payment schedule related to litigation is based on court judgements and is therefore difficult to estimate. "Other provisions" relates mainly to estimated future risks. For both, charges, amounts used and surpluses are recognised under "Other operating expenses" in the consolidated statement of profit or loss.

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The directors of the Parent and its legal advisers do not expect any material liabilities in addition to those already recognised to arise from the outcome of the ongoing lawsuits.

In November 2019, the Comisión Nacional de los Mercados y la Competencia (CNMC, Spain's competition watchdog) arrived at a decision in disciplinary proceedings S/DC/0617/17 *Atresmedia/Mediaset*. Both operators, Atresmedia and Mediaset, were fined, and barred from specified courses of conduct. The CNMC will monitor the companies' future behaviour to ensure the prohibition is observed in practice.

In its decision, the CNMC found that Atresmedia and Mediaset had breached Article 1 of *Ley 15/2007, de 3 de julio, de Defensa de la Competencia*, Spain's competition statute, and Article 101 of the Treaty on the Functioning of the European Union, by setting terms in arrangements with television advertisers and media agencies that were apt to restrict competition.

The specific restrictions on competition disapproved by the CNMC are:

1. contractual imposition on advertisers of minimum quotas of television advertising,
2. a bundled marketing system that makes sale of television advertising subject to advertisers buying channel bundles and simulcast or single-platform television advertising, and
3. a system of rewarding media agencies for brokering advertising deals.

The CNMC found in its decision that the Atresmedia Group parties liable for the breach are Atresmedia Corporación de Medios de Comunicación, S.A. and Atres Advertising, S.L.U.

In its decision, the CNMC determined that the unlawful conduct of the two television operators started no later than 2013, when all the restrictions were in place, and continued until 2017 or later. The fine imposed on Atresmedia was EUR 38,246,520. In addition, Atresmedia and Mediaset were ordered to immediately cease the course of conduct complained of, and any other conduct of equivalent effect, and to refrain from such conduct in future. Within three months of notice of the decision, the parties must take steps to align their commercial and contractual relations to the requirements of the decision. Finally, the Competition Department of the CNMC was instructed to monitor compliance with the decision.

Atresmedia has challenged the decision by filing an application for judicial review with the Administrative Chamber of the Audiencia Nacional, Spain's national court. The application has been found admissible and will proceed. Concurrently with its application for judicial review, Atresmedia sought an interim suspension of the orders to pay a fine and immediately cease the disapproved conduct. The application for an interim suspension is now being considered by the Court.

In due course, the Court will ask Atresmedia to submit written arguments against the CNMC's decision. Those arguments are now in the process of discussion and are thought to be legally sound.

The directors and legal advisers of the Company believe that the application for judicial review against the CNMC's decision is likely to succeed. It is probable that the court decision will be favourable to the interests of Atresmedia, and therefore the business model so far implemented by the Company will not be materially affected.

In 2017, Central Examining Court 2 of the Audiencia Nacional (National Court) made an order to enter and search the homes of several authors and other parties related to the engagement under contract for television of musical authors and works. These court proceedings at criminal law affected Atresmedia directly in the person of its musical rights management officer and indirectly in connection with Atresmedia's continuing relationship with the SGAE as to settlements for musical broadcasts on television in early morning hours.

In February 2020, this Court decided to investigate Atresmedia in the same proceedings for alleged criminal activities that could include business corruption as provided for and punishable in article 286 bis of the Criminal Code. This offence may be attributed to the legal person where one of its employees or directors has committed the offence, provided that (i) the company benefited directly or indirectly and (ii) the company lacks effective monitoring and control measures to prevent the crime. The charge contained in the ruling extends to 13 other public and private television operators with national and regional coverage.

The Company's directors and Atresmedia's legal advisors specialised in criminal law consider that no crime has been committed by any natural person, employee or manager of Atresmedia. In their opinion, the initial budget required by Article 31.bis 1 of the Criminal Code is not met, so the risk of a conviction for the Company is considered remote.

### 13. Financial instruments

The Group's financial assets and liabilities at 31 December 2019 are as follows:

Thousands of euros	Categories			Fair value level			Carrying amount at 31/12/19
	Measured at amortised cost	Measured at fair value through profit or loss	Measured at fair value Hedging instruments	Level 1 (market prices)	Level 2 (estimates based on other observable market data)	Level 3 (estimates not based on other observable market data)	
Equity instruments	-	33,957	-	-	-	33,957	33,957
Non-current loans	461	-	-	-	-	-	461
Guarantees and deposits	353	-	-	-	-	-	353
<b>Non-current financial assets</b>	<b>814</b>	<b>33,957</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>33,957</b>	<b>34,771</b>
Derivatives (Note 13.c)	-	-	15,057	-	15,057	-	15,057
<b>Total non-current financial assets</b>	<b>814</b>	<b>33,957</b>	<b>15,057</b>	<b>-</b>	<b>15,057</b>	<b>33,957</b>	<b>49,828</b>
<b>Trade receivables</b>	<b>238,506</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>238,506</b>
Investments	-	2,415	-	-	-	2,415	2,415
Loans and other receivables	14,064	-	-	-	-	-	14,064
Guarantees and deposits	3,063	-	-	-	-	-	3,063
<b>Other current financial assets</b>	<b>17,127</b>	<b>2,415</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,415</b>	<b>19,542</b>
Derivatives (Note 13.c)	-	-	3,814	-	3,814	-	3,814
<b>Cash and cash equivalents</b>	<b>85,831</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>85,831</b>
<b>Total current financial assets</b>	<b>341,464</b>	<b>2,415</b>	<b>3,814</b>	<b>-</b>	<b>3,814</b>	<b>2,415</b>	<b>347,692</b>
<b>Bonds and debentures</b>	<b>178,030</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>178,030</b>
<b>Bank borrowings (Note 13.b)</b>	<b>103,516</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>103,516</b>
Derivatives (Note 13.c)	-	-	1,273	-	1,273	-	1,273
Loans and other payables	17	2,412	-	-	-	2,412	2,429
<b>Other financial liabilities</b>	<b>17</b>	<b>2,412</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,412</b>	<b>2,428</b>
<b>Total non-current financial liabilities</b>	<b>281,563</b>	<b>2,412</b>	<b>1,273</b>	<b>-</b>	<b>1,273</b>	<b>2,412</b>	<b>285,248</b>
<b>Bonds and debentures</b>	<b>4,046</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,046</b>
<b>Bank borrowings (Note 13.b)</b>	<b>8,676</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,676</b>
Derivatives (Note 13.c)	-	-	151	-	151	-	151
Loans and other payables	44	-	-	-	-	-	44
<b>Other financial liabilities</b>	<b>44</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>44</b>
<b>Payable to suppliers</b>	<b>337,556</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>337,556</b>
<b>Advances from customers</b>	<b>2,174</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,174</b>
<b>Other current liabilities</b>	<b>17,998</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>17,998</b>
<b>Total current financial liabilities</b>	<b>370,494</b>	<b>-</b>	<b>151</b>	<b>-</b>	<b>151</b>	<b>-</b>	<b>370,646</b>

"Non-current financial assets - Equity instruments" includes the fair value of non-current investments in the equity instruments of companies over which the Group does not exercise significant influence either because its ownership interest is below 20% or because it does not participate in the setting of financial or commercial policies. The net increase in this item relates to the Group's strategy of diversifying the sources of growth other than advertising revenues through investments using the model of broadcasting advertising in exchange for an ownership interest in a company. Key investments include Fever Labs Inc., Glovo App23, S.L., JobToday, S.A. and Bady App2015 S.L., which represent a combined 90% of the total investment made.

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Loans and other receivables include mainly short- and long-term loans with associates bearing interest at a fixed annual market rate.

The Group's financial assets and liabilities at 31 December 2018 are as follows:

Thousands of euros	Categories			Fair value level			Carrying amount at 31/12/18
	Measured at amortised cost	Measured at fair value through profit or loss	Measured at fair value Hedging instruments	Level 1 (market prices)	Level 2 (estimates based on other observable market data)	Level 3 (estimates not based on other observable market data)	
Equity Instruments	-	24,736	-	-	-	24,736	24,736
Non-current loans	586	-	-	-	-	-	586
Guarantees and deposits	374	-	-	-	-	-	374
<b>Non-current financial assets</b>	<b>960</b>	<b>24,736</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>24,736</b>	<b>25,696</b>
Derivatives (Note 13.c)	-	-	6,058	-	6,058	-	6,058
<b>Total non-current financial assets</b>	<b>960</b>	<b>24,736</b>	<b>6,058</b>	<b>-</b>	<b>6,058</b>	<b>24,736</b>	<b>31,754</b>
<b>Trade receivables</b>	<b>266,884</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>266,884</b>
Investments	-	3,107	-	-	-	3,107	3,107
Loans and other receivables	14,927	-	-	-	-	-	14,927
Guarantees and deposits	3,000	-	-	-	-	-	3,000
<b>Other current financial assets</b>	<b>17,927</b>	<b>3,107</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,107</b>	<b>21,034</b>
Derivatives (Note 13.c)	-	-	3,002	-	3,002	-	3,002
Cash and cash equivalents	85,626	-	-	-	-	-	85,626
<b>Total current financial assets</b>	<b>370,437</b>	<b>3,107</b>	<b>3,002</b>	<b>-</b>	<b>3,002</b>	<b>3,107</b>	<b>376,546</b>
<b>Bonds and debentures</b>	<b>170,770</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>170,770</b>
<b>Bank borrowings (Note 13.b)</b>	<b>137,907</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>137,907</b>
Derivatives (Note 13.c)	-	-	1,605	-	1,605	-	1,605
Loans and other payables	-	3,062	-	-	-	3,062	3,062
<b>Other financial liabilities</b>	<b>-</b>	<b>3,062</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,062</b>	<b>3,062</b>
<b>Total non-current financial liabilities</b>	<b>308,677</b>	<b>3,062</b>	<b>1,605</b>	<b>-</b>	<b>1,605</b>	<b>3,062</b>	<b>313,344</b>
<b>Bonds and debentures</b>	<b>3,924</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,924</b>
<b>Bank borrowings (Note 13.b)</b>	<b>11,982</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>11,982</b>
Derivatives (Note 13.c)	-	-	511	-	511	-	511
Loans and other payables	261	-	-	-	-	-	261
<b>Other financial liabilities</b>	<b>261</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>261</b>
Payable to suppliers	391,763	-	-	-	-	-	391,763
Advances from customers	2,919	-	-	-	-	-	2,919
<b>Other current liabilities</b>	<b>32,695</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>32,695</b>
<b>Total current financial liabilities</b>	<b>443,544</b>	<b>-</b>	<b>511</b>	<b>-</b>	<b>511</b>	<b>-</b>	<b>444,055</b>

#### a) Bonds and debentures

On 11 July 2018, the Group, to diversify its funding sources, carried out an issuance of senior series A notes, for seventy-five million US dollars with maturity at five years, with semi-annual interest payment of an applicable coupon in US dollars of 4.48%, and an issuance of senior series B notes, for one hundred and twenty-five million US dollars with maturity at seven years, with semi-annual interest payment of an applicable coupon in US dollars of 4.75%, targeting US institutional investors. All the notes are listed on the Open Market (Freiverkehr) of the Frankfurt Stock Exchange.

Cross currency swaps have been entered into to hedge the risk of fluctuations of these issuances, resulting in a fixed exchange rate and half-yearly coupon payments at a fixed rate in euros see Note (see Note 13.c).

#### b) Loans and credit facilities

On 26 July 2017, the Parent arranged a new syndicated loan with an initial limit of EUR 350,000 thousand, which was earmarked to repay the syndicated financing arranged in



May 2015 and to meet the Company's general corporate and cash requirements. Eight banks with which the Company has regular dealings participated in the transaction.

Of the total amount, 50% is a five-year loan, with partial repayments, and 50% a revolving credit facility maturing at five years. At 31 December 2019, the limit was EUR 280,000 thousand, with no drawdown of the credit tranche.

The applicable interest rate is Euribor plus a market spread and the transaction is subject to compliance with financial covenants habitually used in transactions of this kind: the debt to EBITDA ratio and the interest coverage ratio. The Parent's directors expect the covenants to be complied with at 31 December 2019.

The fair value of this financing approximates its carrying amount. At the date the transaction was arranged, the risk of changes in interest rates was hedged with a fixed interest-rate swap for an amount equal to 90% of the loan tranche (see Note 13-c).

The Parent also has bilateral financing facilities to meet its cash requirements.

Bank borrowings at 31 December 2019 and 2018:

	2019			2018		
	Limit	Current balance drawn down	Non-current balance drawn down	Limit	Current balance drawn down	Non-current balance drawn down
<b>Thousands of euros</b>						
Syndicated financing	280,000	-	103,475	315,000	-	137,907
Credit facilities	94,000	7,952	41	108,000	11,149	-
Interest payable	-	724	-	-	833	-
<b>Total</b>	<b>374,000</b>	<b>8,676</b>	<b>103,516</b>	<b>423,000</b>	<b>11,982</b>	<b>137,907</b>

Breakdown by maturity of financial liabilities relating to financing activities in 2019 and 2018:

<b>Thousands of euros</b>	2021	2022	2023	2024	2025	Total
Bonds and debentures	-	-	66,761	-	111,269	178,030
Syndicated financing	35,000	68,475	-	-	-	103,475
<b>Total at 31/12/19</b>	<b>35,000</b>	<b>68,475</b>	<b>66,761</b>	<b>-</b>	<b>111,269</b>	<b>281,505</b>

<b>Thousands of euros</b>	2020	2021	2022	2023	2024 y ss	Total
Bonds and debentures	-	-	-	64,092	106,678	170,770
Syndicated financing	35,000	35,000	67,907	-	-	137,907
<b>Total at 31/12/18</b>	<b>35,000</b>	<b>35,000</b>	<b>67,907</b>	<b>64,092</b>	<b>106,678</b>	<b>308,677</b>

Reconciliation between the change in financial liabilities related to financing activities and the related cash flows in 2019 and 2018:

<b>Miles de euros</b>	Balance at 31/12/18	Additions/Receipts		Disposals/Payments	Translation differences	Changes in fair value	Other changes	Balance at 31/12/19
		Principal	Interest					
Obligaciones y Bonos	174,694	-	3,717	(3,717)	7,382	-	-	182,076
Instrumentos derivados netos	(8,046)	-	-	-	-	(7,382)	-	(15,428)
Deudas entidades de crédito	149,889	-	-	(38,307)	-	-	610	112,192
<b>Total</b>	<b>316,537</b>	<b>-</b>	<b>3,717</b>	<b>(42,024)</b>	<b>7,382</b>	<b>(7,382)</b>	<b>610</b>	<b>278,840</b>

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Miles de euros	Balance at 31/12/17	Additions/Receipts		Disposals/Pay ments	Translation differences	Changes in fair value	Other changes	Balance at 31/12/18
		Principal	Interest					
Obligaciones y Bonos	-	164,784	3,924	-	5,986	-	-	174,694
Instrumentos derivados netos	-	-	-	-	-	(8,046)	-	(8,046)
Deudas entidades de crédito	264,584	-	-	(115,305)	-	-	610	149,889
<b>Total</b>	<b>264,584</b>	<b>164,784</b>	<b>3,924</b>	<b>(115,305)</b>	<b>5,986</b>	<b>(8,046)</b>	<b>610</b>	<b>316,537</b>

### c) Derivative financial instruments

#### Foreign currency hedges

The Group uses currency derivatives to hedge significant future transactions and cash flows in USD and mitigate the foreign currency risk. They relate, in all cases, to cash flow hedges for payment obligations in USD relating to the purchase of broadcasting rights (the underlying), in which the exposure to the EUR/USD exchange rate is hedged (hedged risk), which gives rise to a potential change in the cash flows payable in euros for broadcasting rights. This change affects the profit or loss of the period(s) in which the planned payment transaction has not been performed. The Group applies hedge accounting and documents the hedging relationships and measures their effectiveness as required by IFRS 9.

In general, on assumption of the commitment to purchase the broadcasting rights, the Group enters into a foreign currency derivative that expires on the payment dates of the payables to suppliers. A hedging relationship is arranged that covers the entire term of the derivative, i.e. the derivative is considered to be a hedging instrument from its inception (when the commitment to purchase the broadcasting rights is assumed) up to the date of payment of the contracted broadcasting rights. Changes in the fair value of the derivative instrument determined to be an effective hedge are recognised temporarily in equity up to the beginning of the term, when they are transferred to profit or loss in order to offset the impact on profit or loss of changes in the value of the hedged item. Therefore, once the broadcasting rights and the related payables to suppliers are recognised, the changes in fair value of the foreign currency derivatives and in the value of the payables are recognised in the statement of profit or loss at each accounting close.

At 31 December 2019, the Group had entered into hedging instruments on its foreign currency asset and liability positions amounting to EUR 56,979 thousand, at a weighted average exchange rate of 1.1802 (EUR/USD). Hedging instruments at 31 December 2018 amounted to EUR 69,796 thousand, at a weighted average exchange rate of 1.1861 (EUR/USD).

Total amounts of the outstanding forward currency purchase contracts entered into by the Group at year-end 2019 and 2018:

Fair value (thousands of euros)							
2019	Classification	Type	Maturity	Amount contracted (thousand euros)	Ineffective portion recognised in profit or loss (thousands of euros)	Assets	Liabilities
Currency forwards	Foreign currency hedge	Purchase of USD	2020	36,588	-	1,632	151
Currency forwards	Foreign currency hedge	Purchase of USD	2021	10,141	-	199	83
Currency forwards	Foreign currency hedge	Purchase of USD	2022	1,551	-	28	14
<b>Total</b>				<b>48,280</b>	<b>-</b>	<b>1,859</b>	<b>248</b>



## Fair value (thousands of euros)

2018	Classification	Type	Expiry	Amount contracted (thousand euros)	Ineffective portion recognised in profit or loss (thousands of euros)	Assets	Liabilities
Currency forwards	Foreign currency hedge	Purchase of USD	2019	40,649	-	942	511
Currency forwards	Foreign currency hedge	Purchase of USD	2020	16,567	-	300	99
Currency forwards	Foreign currency hedge	Purchase of USD	2021	1,630	-	25	5
<b>Total</b>				<b>58,846</b>	<b>-</b>	<b>1,267</b>	<b>615</b>

At 31 December 2019, the estimated fair value of the Group's foreign currency derivatives, which are designated and effective as cash flow hedges, represented a financial asset of EUR 1,859 thousand and a financial liability of EUR 248 thousand (2018: asset of EUR 1,267 thousand and liability of EUR 615 thousand). The impact on profit or loss of changes in the fair value of foreign currency hedges whose underlying was effective at the closing date amounted to a negative EUR 280 thousand, recognised under "Net gain/(loss) on changes in value of financial instruments at fair value". This impact offsets exchange differences on balances with suppliers in USD, which at that date were EUR 183 thousand.

For derivatives whose underlying was not effective at the closing date, the net impact recognised in equity amounted to EUR 1,995 thousand.

The measurement method consists of estimating the present value of the future cash flows that will arise under the terms and conditions arranged by the parties for the derivative instrument. The spot price is taken to be the reference exchange rate of the European Central Bank on 31 December 2019, the swap points (offer/bid), the interest rates prevailing at the measurement date and the credit risk.

The Group assesses whether the credit risk component has a significant impact on the performance of currency hedges.

The sensitivity analysis of the foreign currency derivative financial instruments demonstrates that changes of +/-10% in the EUR/USD exchange rate prevailing at year-end would give rise to changes in fair value within a range of EUR +/-5.1 million for hedges whose underlying is in force at year-end, and changes of EUR +/-0.8 million for hedges whose underlying is not yet in force and therefore affect equity. Appreciations in the USD/EUR exchange rate give rise to increases in value, and depreciations to decreases.

The sensitivity analysis of the balances payable to suppliers in USD, shows that changes of +/-10% in the EUR/USD exchange rate prevailing at year-end would give rise to changes in the fair value recognised of around EUR +/-4.0 million, and would be sufficiently offset by the changes in the value of the derivatives entered into.

In 2018, changes of +/-10% in the exchange rate prevailing at year-end would give rise to changes in fair value within a range of EUR +/-6.2 million for hedges whose underlying was in force at year-end and changes of EUR +/-0.5 million for hedges whose underlying not yet in force and therefore affected equity.

Financial instruments measured at fair value must be classified into Levels 1 to 3, based on the degree to which their fair value is observable (inputs). Level 1 inputs are quoted prices in active markets. Level 2 inputs are from external data other than quoted prices. Level 3 inputs are values obtained from valuation techniques that include unobservable inputs in active markets. The Group's derivatives detailed in this item would be classified as Level 2, since they are observable inputs that refer to market data.

### Interest rate hedges

In July 2017, the Parent entered into interest rate swaps (IRS) in order to fix the finance cost arising from the variable rates applicable to each of the tranches of the syndicated financing arranged at that date. These IRSs expire in July 2022 and the hedged amount is EUR 105,000 thousand, with an average weighted fixed interest rate of 0.466%. Their fair value at 31 December 2019 was EUR 1,176 thousand, recognised as a non-current financial liability. The fair value of the IRSs at 31 December 2018 related to the syndicated financing arranged at the date was recognised as a financial liability, for EUR 1,501 thousand.

Changes in the fair value of this financial instrument designated as a hedge are recognised temporarily in equity as they meet the hedge effectiveness requirements. The fair value measurement method is based on the present value of the estimated future contractual cash flows by the parties to the hedging instrument. The market swap curve at the measurement date and other normal market techniques are used for the calculation. This derivative would be included in Level 2.

### Cross currency swaps

As indicated in Note 13.a, on 11 July 2018, the Group carried out an issue of bonds for USD 200,000 thousand, with maturity at five years (USD 75,000 thousand) and seven years (USD 125,000 thousand), with semi-annual payment of coupons at a fixed rate of interest. Cross currency swaps have been entered into to hedge the risk of fluctuations of these issuances, resulting in a fixed exchange rate and half-yearly payments of coupons on the bonds and debentures at a fixed rate in euros. These are cash flow hedges that hedge exposure to the currency and interest rate risk of the cash flows related to the hedged underlying.

At 31 December 2019, the fair value of the derivative related to the bond issue was recognised as a financial asset for EUR 17,012 thousand, of which EUR 14,830 thousand was recognised under non-current assets and EUR 2,182 thousand under current assets. At 31 December 2018, the fair value amounted to EUR 7,793 thousand, EUR 5,733 thousand recognised as non-current derivatives and EUR 2,060 thousand as current derivatives.

Estimated cash flows of the derivative financial instrument at 31 December 2019:

Thousands of euros							Fair value
EUR/USD	2020	2021	2022	2023	2024	2025	
<b>Fixed to fixed</b>							17,012
Cash flow to be received	8,322	8,253	8,253	75,038	5,285	116,006	-
Cash flow to be paid	(3,988)	(4,123)	(4,272)	(72,224)	(3,133)	(116,405)	-
Average spread	1.75%	1.75%	1.75%	1.75%	1.75%	1.75%	-

The Group measures the effectiveness of these cash flow hedges by analysing the extent to which changes in the fair value or the cash flows of the hedging instrument offset changes in the fair value or the cash flows of hedged items attributable to the hedged risk. The fair value measurement method is based on the present value of the estimated future contractual cash flows by the parties to the hedging instrument. This determination is made using the quoted prices of swap rates at the measurement date, interest rates prevailing on the measurement, credit risk and generally accepted techniques in the market. It determined that they are effective hedges, so the gain or loss on the hedging instrument is recognised temporarily in equity and taken to profit or loss in the periods in which the hedged transaction affects profit or loss. Both derivatives would be included in Level 2.

In 2017, no transfers were made between the fair value hierarchy levels corresponding to the Group's derivative financial instruments.

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#### 14. Trade and other payables

Trade and other payables in the consolidated balance sheets at 31 December 2019 and 2018:

Thousands of euros	2019	2018
Payable to suppliers	334,782	354,433
Payable to associates and related parties (Note 21)	2,774	37,328
<b>Total payables to suppliers</b>	<b>337,556</b>	<b>391,761</b>
Other tax payable (Note 20.d)	23,455	20,592
Other non-trade payables	18,589	15,649
Advances from customers	2,174	2,919
<b>Total other payables</b>	<b>44,218</b>	<b>39,160</b>

The Group has payables to suppliers, relating mainly to external production rights denominated in foreign currency, mostly USD, which are recognised at each accounting close using the EUR/USD exchange rate prevailing at that date. Breakdown by maturity in 2019 and 2018:

2019 Thousands of euros	2020	2021	2022	Total
<b>Foreign currency payables to sup</b>	32,020	6,613	2,793	<b>41,426</b>

2018 Thousands of euros	2019	2020	2021	Total
<b>Foreign currency payables to sup</b>	43,784	14,669	1,788	<b>60,241</b>

Note 13-c Derivative financial instruments refers to the sensitivity analysis of the balances payable to suppliers in USD in relation to changes in the exchange rate at year-end.

At 31 December 2019, the balance of non-current liabilities, of EUR 17,998 thousand, related mainly to advance payments obtained on audiovisual productions in progress.

The following table presents the disclosures required by Additional Provision Three of Law 15/2010, of 5 July (amended by Final Provision Two of Law 31/2014, of 3 December), prepared in accordance with the Spanish Accounting and Audit Institute (ICAC) Resolution of 29 January 2016 on the disclosures to be included in notes to financial statements in relation to the average period of payment to suppliers in commercial transactions.

	2019	2018
	Days	Days
Average supplier payment period	58	58
Ratio of transactions paid	62	66
Ratio of transactions outstanding	39	25
	Thousands of euros	Thousands of euros
Total payments made	620,136	647,110
Total payments outstanding	133,531	164,927

In accordance with the ICAC Resolution, the calculation of the average supplier payment period considered commercial transactions involving the delivery of goods and the rendering of services from the effective date of Law 31/2014, of 3 December.

For the sole purpose of the disclosures provided for in the Resolution, suppliers are considered to be the trade creditors for the supply of goods or services included in "Payable to suppliers" and "Payable to suppliers - Payable to associates and related parties" under current liabilities in the consolidated balance sheet.

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"Average supplier payment period" is the time elapsed between the delivery of the goods or the rendering of the services by the supplier and the actual payment of the transaction.

## **15. Other guarantee commitments to third parties**

At 31 December 2019, the Group had provided bank guarantees to third parties amounting to EUR 30,445 thousand (2018: EUR 30,597 thousand).

These guarantees relate mainly to obligations arising from ongoing litigation and the concession of television and radio licences.

The Parent's directors consider that any liabilities not foreseen at 31 December 2019 that might arise from the guarantees provided would not be material.

## **16. Risk management policy**

The Group's risk management and control system is reviewed and updated regularly in response to how the Group's businesses perform and evolve, to risks that actually materialise, to changes in the law, and to how the organisation itself changes and evolves.

This risk management and control system helps the management team to make the right decisions and address risk effectively. We identify and implement any controls and action plans necessary targeting known risks; this enhances our ability to create value and minimises any impact of losses that actually materialise.

Risk analysis and control touches on all the Group's businesses and activities, involves all our organisational units. This means that risk management and control is a corporate system in which the entire organisation is on alert. The system is headed and overseen by the Board, yet some of its functions are delegated to the Audit and Control Committee. Risk management also brings into play the coordinating role of the Compliance Committee, and input from the Legal Affairs, in risk management and compliance control, Finance, related to financial risks and the controls comprising the system for internal control over financial reporting (ICFR), and, lastly, Internal Audit and Process Control, the coordination and oversight of the overall operation of the risk management system.

The Group has the necessary tools and organisation to ensure the effectiveness of the control procedures approved.

The Corporate Governance Report contains a broad summary of the risk control systems in place.

The main financial risks to which the Group is exposed are outlined below:

### **a) Credit risk**

The Group generally places cash and cash equivalents with financial institutions with high credit ratings. The Group does not have significant credit risk since the average customer collection period is short and the advertising contract terms allow for bank guarantees to be required prior to the launch of advertising campaigns.

There is also no significant concentration of credit risk to third parties and no significant incidents arose in the year. The Group enters into derivatives with institutions of recognised solvency. The percentage of past-due receivables at 31 December 2019 was 7.63% (2018: 5.23%).

## b) Liquidity risk

The Group's liquidity policy is to arrange credit facilities and short-term investments for sufficient amounts to cover funding requirements based on the outlook for the business. All are at floating rates (see Note 13-b).

## c) Market risk (interest rate and currency risk)

The Group's cash and borrowings are exposed to interest rate risk, which could have an adverse impact on its financial performance and cash flows. The Group's financing is arranged at interest rates tied to Euribor. Based on the level of borrowings at 31 December 2019, a 100 basis point increase or decrease in the average interest rate on the debt would result in a +/- EUR 1.9 million change in the interest on the borrowings at that date (2018: +/- EUR 2.2 million). To mitigate this risk, the Parent has entered into interest rate swaps (IRSs) to reduce its exposure to variable rates (see Note 13-c).

Foreign currency risk is concentrated in the Parent and relates basically to payments in international markets to acquire broadcasting rights. To mitigate foreign currency risk, the Parent enters into hedging instruments, mainly currency forwards, to hedge its exposure to the EUR/USD forward exchange rate. Sensitivity to changes in exchange rates is described in Note 13-c.

## d) Foreign currency risk

The Group uses cross currency swaps that swap capital and interest flows in dollars for other capital and interest flows in euros, fixing the exchange rate and half-yearly coupons of the debt from bonds and debentures at a fixed rate in euros (see Note 13-c).

# 17. Revenue and expenses

## a) Revenue

Group revenue in 2019 and 2018 by business line:

Thousands of euros	2019	2018
Advertising sales	886,310	933,944
Other sales	142,982	97,675
Trade and other discounts	(50,599)	(47,115)
<b>Total</b>	<b>978,693</b>	<b>984,504</b>

In 2019, transactions exceeding 10% of total operating income were conducted with three customers -media buyers grouping together advertising orders of various advertisers- with individual shares of 11-12% and representing a combined 35% of total advertising sales.

In 2018, transactions exceeding 10% of total operating income were conducted with two customers -media buyers grouping together advertising orders of various advertisers- with individual shares of 13-15% and representing a combined 42% of total advertising sales.

Geographical breakdown of Group revenue in 2019 and 2018:

Thousands of euros	2019	2018
Spain	927,294	956,163
International market	51,399	28,341
A) European Union	14,737	12,964
a) Euro area	12,132	11,274
b) Non-euro area	2,605	1,690
B) Other	36,662	15,377
<b>Total</b>	<b>978,693</b>	<b>984,504</b>

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## b) Programme amortisation and other procurements

Programme amortisation and other procurements in 2019 and 2018:

Thousands of euros	2019	2018
External production services	254,236	266,907
Broadcasting of in-house productions	257,162	241,890
Programme broadcasting rights	201,448	186,038
Live broadcasting rights	268	27,579
Performances and contributions of entertainers	21,742	18,127
Other amortisation	13,202	7,859
Other procurements	17,690	16,036
Addition to programme rights	(294,984)	(278,342)
<b>Total</b>	<b>470,764</b>	<b>486,094</b>

"Addition to programme rights" includes expenses incurred in programmes production. The Parent's policy is to capitalise and subsequently amortise this expenditure as described in Note 3.f.

## c) Staff costs

Staff costs in 2019 and 2018:

Thousands of euros	2019	2018
Wages and salaries	130,658	109,147
Social Security costs	27,826	22,369
Other staff costs	3,257	2,919
<b>Total</b>	<b>161,741</b>	<b>134,435</b>

In 2019, the Group had an average of 2,464 employees (2018: 2,043), broken down by gender and professional category as follows:

Professional category	2019		2018	
	Female	Male	Female	Male
Senior management	1	13	1	9
Managers	84	161	80	156
Technicians	845	853	684	715
Administrative	132	25	129	22
Other	207	143	150	97
<b>Total</b>	<b>1,269</b>	<b>1,195</b>	<b>1,044</b>	<b>999</b>

At year-end 2019, the Group had a total of 2,535 employees (2018: 2,082), broken down by gender and professional category as follows:

Professional category	2019		2018	
	Female	Male	Female	Male
Senior management	1	13	1	9
Managers	84	162	82	157
Technicians	864	868	700	720
Administrative	133	23	131	24
Other	232	155	161	97
<b>Total</b>	<b>1,314</b>	<b>1,221</b>	<b>1,075</b>	<b>1,007</b>

Data for senior management are obtained based on the criteria for the preparation of the Annual Corporate Governance Report. Senior management comprises three directors (all men).

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Average number of employees in 2019 and 2018 with a disability of more than 33% by professional category:

Professional category	2019	2018
Managers	4	3
Technicians	19	19
Administrative	13	13
Other	8	8
<b>Total</b>	<b>44</b>	<b>43</b>

#### d) Other operating expenses

Breakdown of other operating expenses in the consolidated statement of profit or loss:

Miles de euros	2019	2018
Arrendamientos operativos y cánones	29,954	30,909
Trabajos realizados por otras empresas	45,751	50,858
Derechos de autor	47,410	54,329
Comunicaciones	46,181	46,756
Publicidad y propaganda	6,501	6,503
Otros gastos generales	47,159	45,294
<b>Total</b>	<b>222,956</b>	<b>234,649</b>

The most significant item under "Operating leases and royalties" in the accompanying consolidated statement of profit or loss is the television operators' contribution to the financing of Corporación RTVE.

#### e) Other disclosures

Fees for financial audit and other professional services in 2019 and 2018 provided by the statutory auditor of the Parent and its subsidiaries, or by a firm in the same group or related to the auditor (in thousands of euros):

	Audit of financial statements	Other accounting assurance services	Tax advisory services	Other services
Ejercicio 2019	210	43	-	-
Ejercicio 2018	224	37	-	-

Other accounting assurance services entail the limited review report of the summarised consolidated financial statements as of 30 June 2019, reports of agreed-upon procedures on compliance with covenants on financing transactions, and report on compliance with the investment in audiovisual production provided by KPMG Auditores, S.L. to Atresmedia Corporación de Medios de Comunicación during the years ended 31 December 2019 and 2018.

Other KPMG International affiliates invoiced the Group for fees and professional audit service expenses in the year ended 31 December 2019 amounting to EUR 21 thousand (2018: EUR 23 thousand).

The Annual Corporate Governance Report includes a description of the work of the Audit Committee and an explanation of how the auditor's objectivity and independence is guaranteed when providing non-audit services.

## 18. Other gains/(losses)

### a) Net gain/(loss) on changes in value of financial instruments at fair value

This item in the consolidated statement of profit or loss includes mainly the net gain or loss arising from changes in the fair value of the currency hedges and IRSs disclosed in Note 13.

Net gain/(loss) on changes in fair value in 2019 and 2018 by item:

Thousands of euros	2019	2018
Hedging instruments (Note 13)	(280)	7,641
Other non-current financial assets	634	(1,120)
Other non-current liabilities	-	-
<b>Total</b>	<b>354</b>	<b>6,521</b>

### b) Exchange differences

This item includes the exchange gains and losses arising on the Group's commercial and financial transactions, relating to the purchase of audiovisual productions and financing transactions in foreign currencies.

### c) Financial loss

This item in the consolidated statement of profit or loss for 2019 includes mainly the interest expense on bank borrowings and interest on bonds and debentures. In 2018, finance costs amounted to EUR 11,368 thousand and finance income to EUR 4,043 thousand

(2018: EUR 7,790 thousand and EUR 1,585 thousand, respectively).

### d) Impairment and gains/(losses) on disposals of financial assets

This item in the consolidated statement of profit or loss includes impairment losses or reversals on financial assets recognised in the year, determined on the basis of an analysis of the recoverability of the investments, including investments in companies accounted for using the equity method, and the net gains or losses arising from the disposal of these assets.

The balance at 31 December 2019 related mainly to the adjustment to fair value of non-current investments, of EUR 1,765 thousand, and the losses on the disposal of these instruments, of EUR 2,192 thousand.

The balance at 31 December 2018 related mainly to the adjustment to fair value of non-current investments, of EUR 1,378 thousand, and the losses on the disposal of these instruments, of EUR 5,691 thousand.

## 19. Operating and geographical segments

### Basis of segmentation

The Atresmedia Group's segment reporting organises its operations into two large lines of business: audiovisual and radio. The objective of this model is to contribute to a better understanding and provide more details on the Group's business performance, especially in its digital activity, and the production and distribution of content in the audiovisual business.



Key segment information for 2019 and 2018:

Thousands of euros	2019	2018
<b>REVENUE</b>		
<b>Audiovisual</b>	<b>965,082</b>	<b>969,235</b>
Television advertising	781,503	829,459
Digital advertising	47,856	44,955
Production and distribution of content	96,412	58,105
Other income	39,311	36,716
<b>Radio</b>	<b>83,135</b>	<b>82,517</b>
Inter-segment eliminations	(8,811)	(9,428)
<b>TOTAL REVENUE</b>	<b>1,039,406</b>	<b>1,042,324</b>

Thousands of euros	Audiovisual		Radio		Inter-segment eliminations		Atresmedia Group consolidated	
	2019	2018	2019	2018	2019	2018	2019	2018
<b>Revenue</b>	965,082	969,235	83,135	82,517	(8,811)	(9,428)	1,039,406	1,042,324
<b>Operating expenses</b>	798,379	798,593	65,893	66,013	(8,811)	(9,428)	855,461	855,178
<b>GROSS PROFIT FROM OPERATIONS</b>	<b>166,703</b>	<b>170,642</b>	<b>17,242</b>	<b>16,504</b>	-	-	<b>183,945</b>	<b>187,146</b>
Amortisation and depreciation, impairment anc	16,735	16,493	2,804	2,068	-	-	19,539	18,561
<b>PROFIT FROM OPERATIONS</b>	<b>149,968</b>	<b>154,149</b>	<b>14,438</b>	<b>14,436</b>	-	-	<b>164,406</b>	<b>168,585</b>

Thousands of euros	Audiovisual		Radio		Inter-segment eliminations		Atresmedia Group consolidated	
	2019	2018	2019	2018	2019	2018	2019	2018
Investments in companies accounted for using	204	178	-	-	-	-	204	178
Fixed assets	155,047	185,174	13,113	11,413	-	-	168,160	196,587
<b>Total allocable assets</b>	<b>1,143,882</b>	<b>1,203,919</b>	<b>147,005</b>	<b>160,991</b>	<b>(8,439)</b>	<b>(6,291)</b>	<b>1,282,448</b>	<b>1,358,619</b>
<b>Total allocable liabilities</b>	<b>820,218</b>	<b>917,808</b>	<b>43,653</b>	<b>56,376</b>	<b>(19,583)</b>	<b>(36,095)</b>	<b>844,288</b>	<b>938,089</b>

## 20. Tax matters

### a) Consolidated tax group

Pursuant to current legislation, the consolidated tax group includes Atresmedia Corporación de Medios de Comunicación, S.A., as the parent, and the Spanish subsidiaries that meet the requirements provided for in Spanish legislation regulating the taxation of the consolidated profits of corporate groups (percentage ownership interest of more than 75% held throughout the year) (see Note 2.b).

The Group's other subsidiaries file individual tax returns in accordance with applicable tax legislation in each country.

Pursuant to Spanish Income Tax Law 43/1995, of 27 December, on 26 December 2000, Atresmedia Corporación de Medios de Comunicación, S.A. notified the Madrid taxation authority of its decision to file consolidated income tax returns. Application of the consolidated tax regime is considered indefinite provided that the requirements established in the current Article 58 of Income Tax Law 27/2014, of 27 November, are met and the Company does not opt to cease to apply the aforementioned regime. Filing consolidated tax returns gives rise to reciprocal intra-Group balances, due to the offset of the losses incurred by certain companies against the profit earned by other Group companies.

On 5 June 2009, the public deed was executed of the agreement for the merger by absorption of Radio Tormes, S.A. Unipersonal, Radio Alamedilla, S.A. Unipersonal, Compañía Tres Mil Ochocientos, S.L. Unipersonal, La Veu de Lleida, S.L. Unipersonal, Grupo Universal de Emisoras Radio Amanecer, S.A. Unipersonal, Ondadit, S.L. Unipersonal and Unión Ibérica de Radio, S.A. Unipersonal by the sole shareholder Uniprex, S.A. Unipersonal through the dissolution without liquidation of the absorbed companies and the en bloc transfer of their assets and liabilities to Uniprex, S.A. Unipersonal, the absorbing company, which acquired them by universal succession and assumed all the rights and

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obligations of the absorbed companies, as stipulated in Article 233 of the Spanish Companies Act. The date from which the transactions of the absorbed companies are considered to have been performed for accounting and tax purposes by the absorbing company was 1 January 2009.

The merger gave rise to the merger goodwill shown in Note 4, which differs from the merger goodwill for tax purposes (amounting to EUR 24,775 thousand) calculated and amortised as provided for in Article 89.3 of the Consolidated Spanish Income Tax Law which, net of the impairment losses recognised, amounted to EUR 15,164 thousand.

On 16 December 2011, the joint merger agreement entered into on 30 June 2011 was executed in a public deed, whereby Publicidad 3, S.A.U. absorbed Antena de Radiodifusión, S.A.U., Medipress Valencia, S.A.U., Canal Radio Baleares, S.L.U., Radio Media Aragón, S.L.U., Canal Radio Madrid, S.L.U., Canal Radio Valencia, S.L.U. and Uniprex, S.A.U., which simultaneously and in the same act absorbed Radio Noticias Noventa, S.A.U., Radio Sistemas Radiofónicos Cinco, S.L.U. and Rkor Radio, S.L.U. in a preliminary phase.

The resolution to change the resulting company's name to Uniprex, S.A.U. is contained in the aforementioned deed.

Consequently, the new company, Uniprex, S.A.U., acquired the assets and liabilities of the absorbed companies, which were dissolved without liquidation, in accordance with their balance sheets. Those assets and liabilities were transferred en bloc to the absorbing company.

The merger goodwill for tax purposes at 31 December 2019 was EUR 61,288 thousand, which can be amortised at a rate of 5% regardless of the rate at which the related amortisation is charged to profit or loss for accounting purposes. This amortisation is tax deductible. The merger goodwill for tax purposes does not coincide with the goodwill recognised for accounting purposes (see Note 4). Goodwill arising from the merger amounted to EUR 99,137 thousand and the accumulated impairment losses on goodwill that are tax deductible were EUR 37,849 thousand.

On 31 October 2012, the merger by absorption of Gestora de Inversiones Audiovisuales La Sexta ("La Sexta") into Antena 3 de Televisión was placed on file at the Madrid Mercantile Register.

As a result of the merger, Antena 3 de Televisión acquired all the assets and liabilities of La Sexta by universal succession and assumed all the rights and obligations of the absorbed company.

The merger became effective for accounting purposes on 5 October 2012.

The Company elected to avail of the special tax regime for mergers, spin-offs, asset contributions and security exchanges provided in Title VII, Chapter VIII of the Consolidated Spanish Income Tax Law approved by Legislative Royal Decree 4/2004, of 5 March.

The La Sexta trademark and the La Sexta multiplex operating licence were identified in the purchase price allocation of the business combination to assets and liabilities. The trademark will be amortised for accounting purposes over 20 years, while the licence is considered to have an indefinite useful life. Pursuant to Spanish Audit Law 22/2015, of 20 July, from 1 January 2016 the license has been amortised at a rate of 10%, solely in the separate financial statements of Atresmedia Corporación prepared in accordance with the Spanish National Chart of Accounts.

On 8 November 2013, the merger by absorption of Estaciones Radiofónicas de Aragón, S.A. Unipersonal, Ipar Onda, S.A. Unipersonal, Onda Cero, S.A. Unipersonal and Radio Media Galicia, S.L. Unipersonal by Uniprex, S.A. Unipersonal and dissolved without liquidation, was executed in a public deed, which also reflected the approval of the balance sheet for the year ended 31 December 2012 as the merger balance sheet.

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Merger goodwill for tax purposes amounted to EUR 554 thousand (EUR 260 thousand of Ipar Onda, S.A. and EUR 294 thousand of Radio Media Galicia, S.L.) and is being amortised at an annual rate of 5%, regardless of the rate at which the related amortisation is charged to profit or loss for accounting purposes. This amortisation is tax deductible and amounted to EUR 429 thousand at 31 December 2019.

On 3 November 2014, the merger, whereby Publiseis Iniciativas Publicitarias was absorbed by Atres Advertising, S.L.U. and dissolved without liquidation, was executed in a public deed subsequent to the sale of the ownership interest by Atresmedia Corporación to its subsidiary. In addition, the balance sheet for the year ended 31 December 2013 was approved as the merger balance sheet. The company availed of the special merger regime provided for in Title VII, Chapter VIII of the Consolidated Spanish Income Tax Law.

On 24 November 2015, the merger whereby Antena 3 Eventos, S.L.U. was absorbed by Atres Advertising, S.L.U. and dissolved without liquidation, was executed in a public deed subsequent to the sale of the ownership interest by Atresmedia Corporación to its subsidiary. In addition, the balance sheet for the year ended 31 December 2014 was approved as the merger balance sheet. The company availed of the special merger regime provided for in Title VII, Chapter VII of the Spanish Income Tax Law 27/2014.

Also on 24 November 2015, the merger, whereby La Sexta Editorial Musical, S.L.U. was absorbed by Música Aparte, S.L.U. and dissolved without liquidation, was executed in a public deed subsequent to the sale of the ownership interest by Atresmedia Corporación to its subsidiary. In addition, the balance sheet for the year ended 31 December 2014 was approved as the merger balance sheet. The company availed of the special merger regime provided for in Title VII, Chapter VII of the Spanish Income Tax Law 27/2014.

On 27 October 2017, the merger whereby Guadiana Producciones, S.A.U. was absorbed by Atres Advertising, S.L.U. and dissolved without liquidation, was executed in a public deed subsequent to the sale of the ownership interest by Atresmedia Corporación to its subsidiary. In addition, the balance sheet for the year ended 31 December 2016 was approved as the merger balance sheet. The company availed of the special merger regime provided for in Title VII, Chapter VII of the Spanish Income Tax Law 27/2014.

On 26 November 2018, the merger whereby Canal Media Radio, S.A.U. was absorbed by UNIPREX, S.A.U. and dissolved without liquidation, and the approval of the balance sheet at 31 December 2017 as the merger balance sheet was executed in a public deed. The company availed of the special merger regime provided for in Title VII, Chapter VII of the Spanish Income Tax Law 27/2014.

## b) Reconciliation of accounting profit and tax expense

Reconciliation of accounting profit and income tax expense:

Thousands of euros	2019	2018
<b>Consolidated profit before tax</b>	<b>156,794</b>	<b>156,511</b>
Permanent differences	(20,353)	(20,865)
Tax losses incurred prior to the formation of the tax	-	-
<b>Adjusted profit/(loss)</b>	<b>136,441</b>	<b>135,646</b>
Tax rate	25.00%	25.00%
Adjusted profit multiplied by tax rate	34,110	33,912
Tax credits	(627)	(12,482)
Current income tax expense	33,483	21,430
Deferred tax expense	6,061	5,731
Income tax adjustments	(696)	41,181
Difference in income tax per tax return	(696)	(2,615)
Inspection adjustments	-	6,271
Adjustments for derecognition of unused tax losses	-	37,525
<b>Total tax expense</b>	<b>38,848</b>	<b>68,342</b>
<b>Effective tax rate</b>	<b>24.78%</b>	<b>43.67%</b>

Permanent differences in 2019 included mainly gains on bargain purchases (EUR 23,298 thousand), non-deductible impairment losses on equity instruments (EUR 3,419 thousand), other non-deductible expenses (EUR 851 thousand), donations (EUR 714 thousand) and negative amounts for double taxation (EUR 174) and other items (EUR 163).

The gains on bargain purchases arose from the share of profit/(loss) of companies accounted for using the equity method (+EUR 398 thousand), increased amortisation of the trademark under IFRSs (+EUR 289 thousand) and accounting elimination differences (-EUR 448 thousand). In addition, the amortisation of the licence and goodwill recognised for the various Group companies as a result of the entry into force on 1 January 2016 of Spanish Audit Law 22/2015, of 20 July, is not envisaged under IFRSs, which results in a gain on bargain purchases of EUR 20,803 thousand. Application of IFRS 9 and IFRS 16 give rise to a negative difference of EUR 3,729 thousand and a positive difference of EUR 54 thousand, respectively. Lastly, there are positive adjustments for differences in the scope of consolidation, for EUR 941 thousand.

In 2019, the Group earned tax credits for investment in R&D&I amounting to EUR 386 thousand and EUR 241 thousand for donations to non-profit entities.

The differences between the estimate made at year-end 2018 and the tax return effectively filed gave rise to income tax adjustments of EUR 696 thousand (negative).

The deferred tax expense relates to the tax effect of the deferred tax assets and liabilities under IFRSs (see Note 20.e).

### c) Reconciliation of accounting profit and taxable income

Reconciliation of accounting profit and profit for income tax purposes for 2019 and 2018:

Thousands of euros	2019	2018
<b>Accounting profit after tax</b>	<b>117,946</b>	<b>88,169</b>
Income tax	38,848	68,342
Permanent differences	(21,181)	(21,270)
Temporary differences	817	15,580
Offset of prior years' tax losses	(26,519)	(27,353)
<b>Taxable income</b>	<b>109,912</b>	<b>123,467</b>
<b>Tax rate</b>	<b>25.00%</b>	<b>25.00%</b>
<b>Gross tax payable</b>	<b>27,478</b>	<b>30,867</b>
Tax credits taken in the year	(15,560)	(9,670)
Tax prepayments in the year	(27,395)	(26,825)
<b>Tax payable (refundable)</b>	<b>(15,477)</b>	<b>(5,628)</b>

The temporary differences include additions of EUR 30,384 thousand and reductions of EUR 29,567 thousand (see Note 20.e).

Additions include EUR 20,264 thousand of deferred tax assets and EUR 6,856 thousand of deferred tax liabilities and the recognition of taxable income from one of the EIGs in which it has an interest, of EUR 3,264 thousand. Reductions included EUR 11,732 thousand of deferred tax assets, EUR 13,031 thousand of tax losses from another EIG and EUR 4,804 thousand of deferred tax liabilities.

In 2019, the Group acquired a 99.98% stake in the economic interest grouping (EIA) "AEDEA INVESTIGACIONES AIE" for EUR 4,954 thousand.

The particular taxation of EIGs gave rise at year-end of deferred tax assets of EUR 7,407 thousand for the Group, cancelling the financial investment.

Of the EUR 7,407 thousand of financial assets passed on by the EIG to the Group, EUR 3,257 thousand related to tax losses (EUR 13,031 thousand to taxable income) and EUR 4,150 thousand are deductions for research and development (see Note 20-e).

The difference between the derecognition of the investment and the addition of deferred tax assets gave rise to finance income of EUR 2,453 thousand.

Tax losses were allocated in 2019, with the Group making a negative adjustment to taxable income of EUR 13,031 thousand.

Of the EUR 15,560 thousand of tax credits taken in the year, EUR 12,294 thousand were deductions for audiovisual production, EUR 291 thousand for film production, EUR 2,272 thousand for international double taxation, EUR 241 thousand for donations to not-for-profit entities, EUR 404 thousand for R&D&I expenditure, EUR 18 thousand for training costs and EUR 40 thousand for the reversal of temporary measures (Transitional Provision Thirty-Seven of the Spanish Income Tax Law).

#### d) Tax receivables and payables

Tax receivables and payables at 31 December 2019 and 2018:

Thousands of euros	2019	2018
<b>NON-CURRENT ASSETS</b>		
Deferred tax assets (Note 20-e)	16,917	16,644
Tax loss carryforwards	75,296	82,181
Unused tax credits and tax relief	109,314	117,884
	<b>201,527</b>	<b>216,709</b>
<b>CURRENT ASSETS</b>		
2019 income tax refundable	15,477	5,628
2018 income tax refundable	3,407	-
Other tax receivables	573	666
VAT refundable	3,299	1,568
	<b>22,756</b>	<b>7,862</b>
<b>Total tax receivables</b>	<b>224,283</b>	<b>224,570</b>
<b>OTHER NON-CURRENT LIABILITIES</b>		
Deferred tax liabilities (Note 20-e)	<b>32,183</b>	<b>30,276</b>
<b>CURRENT LIABILITIES</b>		
Tax withholdings payable	7,561	6,590
Social security payable	2,902	2,292
VAT payable	12,667	11,729
Other tax payables	326	207
	<b>23,455</b>	<b>20,818</b>
<b>Total tax payables</b>	<b>55,638</b>	<b>51,094</b>

On the basis of the timing estimate of future profits made by the Parent's directors for the offset and use of these tax items, only EUR 13,925 thousand were considered to be recoverable in the tax return for the coming year, EUR 532 thousand of which relate to deferred taxes, EUR 7,576 thousand to unused tax credits and tax relief and EUR 5,817 thousand to tax loss carryforwards.

#### e) Deferred tax assets and liabilities recognised

The difference between the tax charge allocated to the current year and to prior years and the tax charge already paid or payable for those years, recognised under deferred tax assets, arose as a result of temporary differences on the following items:

CHANGES IN DEFERRED TAX ASSETS	Thousands of euros						
	2018	Additions	Disposals	Other	IRS adjustments	Additions	2019
Contingencies and charges	12,662	1,040	2,180	1,631	-	509	13,663
Payables	821	-	21	-	-	-	800
Hedging instruments	(168)	-	421	-	-	-	(589)
Tax effect of assets at fair value	376	-	-	-	(30)	-	346
Other	2,953	4,025	732	201	(3,750)	-	2,697
<b>Total</b>	<b>16,644</b>	<b>5,066</b>	<b>3,354</b>	<b>1,832</b>	<b>(3,781)</b>	<b>509</b>	<b>16,917</b>



The detail for 2018 is as follows:

CHANGES IN DEFERRED TAX ASSETS	Thousands of euros					2018
	2017	Additions	Disposals	Other	FRS adjustments	
Contingencies and charges	13,203	1,350	1,886	(5)	-	12,662
Payables	738	21	-	62	-	821
Hedging instruments	363	-	531	-	376	208
Other	3,209	4,096	631	30	(3,750)	2,953
<b>Total</b>	<b>17,513</b>	<b>5,467</b>	<b>3,049</b>	<b>87</b>	<b>(3,374)</b>	<b>16,644</b>

The changes in deferred tax assets recognised in "Other" include mainly the difference between the estimated tax for 2016 and the tax return actually filed with the taxation authorities.

Additions include deferred tax assets generated by the Group's foreign subsidiaries in accordance with the various tax regulations.

The deferred tax assets table includes hedging instruments, which are not included in the temporary differences or deferred tax assets in the tables in Note 20.c, since for tax purposes they are recognised directly in equity.

"IFRS adjustments" includes the elimination of the tax effect of amortisation of goodwill of Uniprex, which is not allowed under IFRS, and the addition of a "Tax effect for fair value of assets" arising from the adjustment to profit or loss not applicable under Spanish GAAP.

At 31 December 2019, the Group had EUR 125,729 thousand of unused tax credits, arising mainly on investment in audiovisual and film productions. Of the total unused tax credits, the Group has recognised EUR 109,314 thousand.

Limit	2026	2027	2028	2029	2030	2031	2032	2033	2034	Total
Amount	1,916	18,674	12,482	15,808	15,108	14,691	13,474	13,136	20,440	<b>125,729</b>

In 2019, the Group acquired a 99.98% stake in the economic Interest grouping (EIA) "AEDAE Investigaciones" (see Note 20.c). The IEA carried out research and development activities in 2019 that gave rise to deductions under Article 35.1 of the LIS.

In view of the particular nature of income taxation of EIGs (including the recognition of tax credits and tax losses to the partners), in 2019 the Group recognised a credit for R&D expenditure amounting to EUR 4,150 thousand.

Changes in deferred tax liabilities in 2019:

DEFERRED TAX LIABILITIES	Balance at	Additions	Disposals	IFRS adjustments	Other	Balance at 31/12/19
Thousands of euros						
Recognition of intangible assets at fair value	25,568	902	1,853	1,517	332	26,465
Government grants	363	-	192	-	-	171
Amortisation of merger goodwill	4,345	1,201	-	-	-	5,546
<b>Total</b>	<b>30,276</b>	<b>2,103</b>	<b>2,045</b>	<b>1,517</b>	<b>332</b>	<b>32,183</b>

Changes in deferred tax liabilities in 2018:

DEFERRED TAX LIABILITIES	Balance at	Additions	Disposals	IFRS adjustment	Other	Balance at
Thousands of euros	31/12/17			s		31/12/18
Recognition of intangible assets at fair value	25,262	637	1,853	1,517	5	25,568
Government grants	148	222	-	-	(7)	363
Amortisation of merger goodwill	3,144	1,201	-	-	-	4,345
<b>Total</b>	<b>28,554</b>	<b>2,060</b>	<b>1,853</b>	<b>1,517</b>	<b>(2)</b>	<b>30,276</b>

The "Recognition of intangible assets at fair value" deferred tax liability relates to the temporary difference between the carrying amount and the tax base of the identified trademark and signal broadcasting licence (IAS 12), and the recognition of assets by applying IFRS 9.

The difference in interpretation between international accounting standards and local GAAP regarding the recognition of intangible assets gives rise to a greater deferred tax liability under IFRSs than under the Spanish National Chart of Accounts, to which the income tax legislation is not applicable.

International accounting standards also do not recognise the amortisation of intangible assets with an indefinite useful life. The difference in standards is included in "IFRS adjustments", for EUR 1,517 thousand, which entails the elimination of the tax effect of the accounting amortisation of the license (non-deductible).

The Group has considered the following as positive evidence for recognising deferred tax assets:

- The tax loss carryforwards arose in the business combination with la Sexta, which had losses before being absorbed by the Atresmedia Group.
- The Atresmedia Group has a history of recurring profits, even after absorbing the loss-making La Sexta, with a stable customer portfolio.
- The Group operates in a mature sector, which allows it to plan convincing tax strategies.

Chapter IV of Title VI of the Corporate Income Tax Law provides a general 15-year period for offsetting deductions and an 18-year period for R&D&I credits. However, the Group considers a maximum period of 10 years to be reasonable for assessing and measuring the tax credits recognised in the consolidated balance sheet. Therefore, under this measurement standard, the amounts that are unlikely to be recovered within this period must be adjusted, without affecting the tax offset that may arise in subsequent periods.

For reasons of prudence regarding the period for absorbing the large amount of new tax credits, the tax credits for audiovisual and film production of EUR 12,971 thousand and EUR 3,247 thousand, respectively, were not recognised in 2019 despite the Group's ability to eventually absorb all the tax credits.

Assessments are made regarding the outlook for growth of the advertising market in the coming years, using audience numbers, advertising effectiveness ratios and cost forecasts as assumptions. Except for advertising, which is measured on the basis of external information sources, the rest of the assumptions are based on past experience and reasonable projections approved by management of the Parent and updated in accordance with the performance of the advertising markets. These future projections cover the next 10 years.

The Group performs of sensitivity analysis of the projections to reasonable changes in the key assumptions used to determine the recoverability of these assets. Therefore, the sensitivity analyses are prepared under various scenarios based on the variables considered to be most relevant, i.e. advertising revenue, which depend mainly on the



performance of the advertising market, the investment share reached and the operating margin achieved. These analyses, after the aforementioned adjustment, do not provide any evidence that the tax assets and tax credits recognised will be not recovered.

#### f) Tax recognised in equity

In addition to the income tax recognised in the consolidated statement of profit or loss, in 2019 and 2018 the Group recognised the following amounts in consolidated equity:

Thousands of euros	2019	2018
Hedging Instruments	(421)	(531)
<b>Total</b>	<b>(421)</b>	<b>(531)</b>

#### g) Other information

At 31 December 2019, the Group had recognised EUR 75,296 thousand of prior years' tax loss carryforwards, as detailed below. All unused tax losses of Atresmedia Corporation (EUR 137,704 thousand) are transferred to the company from the absorbed company, Gestora de Inversiones Audiovisuales La Sexta, as a result of the universal succession of the former to the rights and obligations of the transferor arising from the application of the special tax regime for mergers, spin-offs, asset contributions and security exchanges provided for in Title VII, Chapter VIII of the Consolidated Spanish Income Tax Law approved by Legislative Royal Decree 4/2004, of 5 March.

Tax loss carryforwards					
Thousands of euros					
Year generated	Unused at 31/12/18	Deducted in the year	Other	Inspection	Unused at 31/12/19
2003	1	-	(1)	-	-
2004	1	-	(1)	-	-
2006	9,691	(6,617)	(345)	-	2,729
2007	37,654	-	-	-	37,654
2008	31,918	-	-	-	31,918
2009	28,965	-	-	-	28,965
2010	8,379	-	-	-	8,379
2011	15,475	-	-	-	15,475
2012	12,909	-	-	-	12,909
2013	423	-	-	-	423
2014	6	-	-	-	6
2015	20	-	-	-	20
2016	7	-	-	-	7
2017	-	(13)	13	-	-
	<b>145,447</b>	<b>(6,630)</b>	<b>(334)</b>	<b>-</b>	<b>138,485</b>

Pursuant to Spanish tax legislation, there is no time limit on the offset of prior years' tax losses.

In February 2018, an inspection of Atresmedia Corporación de Medios de Comunicación, S.A. began for income tax (2013 and 2014), non-resident income tax (2014 to 2017), VAT, withholdings of investment income, withholdings of personal income tax, withholdings of property rentals and gaming tax (all for 2014). The scope of the inspection was subsequently extended to Atres Advertising, S.L.U. and Atresmedia Cine, S.L.U for income tax (2013 and 2014), non-resident income tax, VAT and withholdings of personal income tax (all for 2014).

The final outcome of the inspection was reached in November 2018, with the adjustment of different charges and interest on various taxes, as explained in Note 20 to the 2018 consolidated financial statements.

In March 2019, notification was received of the extension of the inspection to the accounting of the economic interest grouping "Producciones Ramsés" in 2014, which had already been signed under protest.

In October 2019, the assessment was signed, also in disagreement, giving rise to a lower assessment of EUR 67 thousand than the one signed in 2018.

The Company is open to inspection for non-resident income tax from 2018 and for the rest of the taxes applicable to it from 2015.

The Parent's directors consider that the tax returns for the aforementioned taxes have been filed correctly and, therefore, even in the event of discrepancies in the interpretation of current tax legislation in relation to the tax treatment afforded to certain transactions, any liabilities that may arise would not have a material effect on the accompanying financial statements.

## 21. Related party transactions

Transactions between the Parent and its subsidiaries, which are related parties, were eliminated upon consolidation and no disclosures are provided in this note. Balances and transactions between the Group and its associates and other related parties are disclosed below:

Balance at 31/12/19	Thousands of euros				
	Trade receivables	Current trade payables	Other non-current receivables	Other current receivables	Other non-current payables
	(Note 10)	(Note 14)			
<b>Group companies and associates:</b>					
Atres Hub Factory, S.L.	-	-	-	97	-
Aunia Publicidad Interactiva, S.L.	-	36	-	-	-
Fundación Atresmedia	37	-	-	168	-
Hola Televisión América, S.L.	364	-	-	3,554	-
Hola TV US, LLC	802	114	-	-	-
UTE Uniprex TV y WinWin	22	-	-	-	-
<b>Total group companies and associates:</b>	<b>1,225</b>	<b>150</b>	-	<b>3,819</b>	-
<b>Other related parties</b>					
Planeta - De Agostini Group	900	2,291	-	-	-
RTL Group	1,206	333	-	-	-
<b>Total other related parties</b>	<b>2,106</b>	<b>2,624</b>	-	-	-

## Thousands of euros

Balance at 31/12/18	Trade receivables  (Note 10)	Current trade payables  (Note 14)	Other non- current receivables	Other current receivables	Other non- current payables
<b>Group companies and associates:</b>					
Atres Hub Factory, S.L.	-	-	125	250	-
Aunia Publicidad Interactiva, S.L.	328	-	-	-	-
Fundación Atresmedia	2	-	-	56	-
Hola Televisión América, S.L.	110	-	-	4,357	-
Hola TV US, LLC	779	2	-	-	-
I3 Televisión, S.L.	7	1,020	-	-	-
<b>Total group companies and associates:</b>	<b>1,226</b>	<b>1,022</b>	<b>125</b>	<b>4,663</b>	<b>-</b>
<b>Other related parties</b>					
Imagina Group	35,094	30,570	-	-	7
Planeta - De Agostini Group	3,485	5,480	-	-	-
RTL Group	1,172	256	-	-	-
<b>Total other related parties</b>	<b>39,751</b>	<b>36,306</b>	<b>-</b>	<b>-</b>	<b>7</b>

## Thousands of euros

Transactions at 31/12/19	Income from rendering of services	Purchase of inventories	Leases	Receipt of services	Finance income	Finance costs
<b>Group companies and associates:</b>						
Aunia Publicidad Interactiva, S.L.	116	-	-	-	2	-
Fundación Atresmedia	28	-	-	90	-	-
Hola TV América, S.L.	-	-	-	-	254	-
Hola TV US, LLC	362	-	-	963	-	-
<b>Total group companies and associates:</b>	<b>506</b>	<b>-</b>	<b>-</b>	<b>1,053</b>	<b>256</b>	<b>-</b>
<b>Other related parties</b>						
Imagina Group	126,070	45	215	43,346	-	1
Planeta - De Agostini Group	1,473	3,402	-	2,085	-	-
RTL Group	6,873	90	-	1,364	-	-
<b>Total other related parties</b>	<b>134,416</b>	<b>3,537</b>	<b>215</b>	<b>46,795</b>	<b>-</b>	<b>1</b>

In addition to these transactions, the Group sold and purchased advertising space to and from related companies in 2019 amounting to EUR 2,486 thousand and EUR 1,381 thousand, respectively, through advertising agencies.

## Thousands of euros

Transactions at 31/12/18	Income from rendering of services	Purchase of inventories	Leases	Receipt of services	Finance income	Finance costs
<b>Group companies and associates:</b>						
Aunia Publicidad Interactiva, S.L.	209	-	-	-	-	-
Fundación Atresmedia	119	-	-	-	-	4
Hola TV América, S.L.	-	-	-	-	232	-
Hola TV US, LLC	492	-	-	-	-	0
I3 Televisión, S.L.	-	-	-	5,422	-	-
<b>Total group companies and associates:</b>	<b>820</b>	<b>-</b>	<b>-</b>	<b>5,422</b>	<b>232</b>	<b>4</b>
<b>Other related parties</b>						
Imagina Group	152,432	1,527	225	67,759	-	1
Planeta - De Agostini Group	1,705	6,025	-	2,288	-	-
RTL Group	5,474	-	-	1,172	-	-
<b>Total other related parties</b>	<b>159,611</b>	<b>7,552</b>	<b>225</b>	<b>71,220</b>	<b>-</b>	<b>1</b>

## 2019 CONSOLIDATED FINANCIAL STATEMENTS

Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails

In addition to these transactions, the Group sold and purchased advertising space to and from related companies in 2018 amounting to EUR 2,976 thousand and EUR 1,122 thousand, respectively, through advertising agencies.

## 22. Earnings per share

Basic earnings per share are calculated by dividing net profit for the year attributable to the Parent by the weighted average number of ordinary shares of the Parent outstanding during the year.

Diluted earnings per share is calculated by dividing net profit for the period attributable to equity holders of the Parent by the weighted average number of ordinary shares outstanding adjusted for the dilutive effects of potential ordinary shares, understood as shares whose conversion into outstanding shares could reduce earnings per share. The treasury shares held by the Company for the share-based payment plan (see Note 24) were considered to be outstanding shares for the purposes of diluted earnings per share.

Accordingly:

	2019	2018
Profit for the period attributable to the Parent (thousands of euros)	118,025	88,182
Weighted average number of ordinary shares outstanding (thousands of shares)	225,021	224,941
<b>Basic earnings per share (euros)</b>	<b>0.525</b>	<b>0.392</b>

	2019	2018
Profit for the period attributable to the Parent (thousands of euros)	118,025	88,182
Weighted average number of shares outstanding for the purposes of diluted earnings per share (thousands of shares)	225,178	225,733
<b>Diluted earnings per share (euros)</b>	<b>0.524</b>	<b>0.391</b>

## 23. Proposed distribution of profit

The proposed distribution of the profit for the year of Atresmedia Corporación de Medios de Comunicación, S.A. that the Parent's directors will submit for approval by the shareholders at the General Meeting is as follows (in thousands of euros):

	2019
Interim dividends paid in 2019 (EUR 0.20/share)	45,012
Maximum final paid (EUR 0.25/share)	56,433
To voluntary reserves	1,583
<b>Total</b>	<b>103,028</b>

The Parent's Board of Directors, at the meeting held on 20 November 2019, resolved to distribute out of the Parent's profit for 2018 a gross amount of twenty euro cents (EUR 0.20) for each of the shares entitled to receive this interim dividend, representing a total of EUR 45,012 thousand, recognised under "Equity - Interim dividend" in the consolidated balance sheet.

The provisional accounting statement prepared in accordance with legal requirements evidencing the existence of sufficient liquidity for the distribution of the dividends is as follows:

**LIQUIDITY STATEMENT FOR THE PAYMENT OF THE 2019 INTERIM DIVIDEND**

	Thousands of euros
<b>Liquidity at 31 October 2019</b>	<b>327,461</b>
<b>Projected cash until 31 October 2020</b>	
Operating activities from November 2019 to October 2020	82,753
Financing activities from November 2019 to October 2020	-
Projected payment of 2019 interim dividend	(45,012)
<b>Projected liquidity at 31 October 2020</b>	<b>365,202</b>

**24. Remuneration and other benefits earned by the members of the Board of Directors of the Parent and senior management**

The remuneration earned in 2019 by the current and former members of the Parent's Board of Directors (composed at 31 December 2019 and 2018 of four women and eight men) in the form of salaries, attendance fees and life insurance premiums amounted to EUR 4,733 thousand, EUR 770 thousand and EUR 10 thousand, respectively (2018: EUR 3,344 thousand, EUR 933 thousand and EUR 9 thousand, respectively).

Salaries, and life insurance and third-party liability premiums paid to members of senior management who are not directors in 2019 amounted to EUR 5,215 thousand and EUR 115 thousand, respectively (2018: EUR 4,417 thousand and EUR 120 thousand, respectively).

At 31 December 2019 and 2018, the Parent had not granted any loans or advances to its Board members and the Group's senior executives, and it does not have any supplementary pension, retirement bonus, special indemnity or life insurance obligations to them in their capacity as directors and executives.

At the General Meeting of Atresmedia Corporación de Medios de Comunicación, S.A. held on 22 April 2016, approval was given to implement a remuneration scheme entailing the delivery of shares to certain directors and senior executives. The scheme is a long-term variable incentive tied to the Group's performance.

The duration of the scheme is four years and four months, divided into two periods: compliance and assessment (2016 to 2018) and settlement (50% in the first four months of 2019 and 50% in the first four months of 2020).

The economic targets assessed for the settlement of the scheme are related to the Group's projected consolidated EBITDA and total shareholder return (dividends paid and share price).

Participation is voluntary for beneficiaries, and conditional on the achievement of financial targets and an obligation to remain at the Atresmedia Group.

The grant date was 9 May 2016, when the Parent completed the acquisition of treasury shares under the share buyback programme approved by the Board of Directors and each beneficiary's share of the remuneration scheme was established.

With the period for achieving the plan's economic targets for 2017-2018 having concluded, the first part of the plan was settled, affecting 50% of the shares allocated. The shares were delivered to the beneficiaries on 26 April 2019, with a market closing price that day of EUR 4.65 per share. A total of 118,754 shares were delivered.

The second part of the plan (which affects the remaining 50% of the allocated shares) entails the same economic targets, with delivery to the beneficiaries scheduled for 27 February 2020.

**2019 CONSOLIDATED FINANCIAL STATEMENTS**

## **25. Information regarding situations of conflict of interest involving directors**

Pursuant to Article 229 of the Spanish Companies Act, the following information is included:

In 2019, none of the directors reported to the Board of Directors any direct or indirect conflict of interest that they or their affiliates, as defined in Article 213 of the Spanish Companies Act, might have with respect to the Company.

## **26. Events after the reporting period**

No significant event took place between the end of the reporting period and the date of authorisation for issue of the consolidated financial statements.



# ATRESMEDIA

**ATRESMEDIA CORPORACIÓN DE MEDIOS  
DE COMUNICACIÓN, S.A. AND  
SUBSIDIARIES**

Consolidated management report

for 2019



## ATRESMEDIA AND SUBSIDIARIES (CONSOLIDATED GROUP) MANAGEMENT REPORT FOR 2019

### Business performance and situation of the Group

The Atresmedia Group, through its audiovisual and radio arms, produces and distributes audiovisual and radio content of interest for a wide variety of audiences, in which it inserts the spaces it sells to advertisers for their advertising campaigns. Atres Advertising markets these spaces among advertisers, providing the Group with its main revenue source. Atresmedia also engages in other related activities. Through Atres Advertising itself and also through Smartclip, it sells various types of advertising on internet, which it inserts in proprietary web pages, in its VOD (video on demand) offering through Atresplayer or third-party supports. Thanks to all these activities, Atresmedia is the leading seller of advertising in Spain, with a share of approximately 16% of the total advertising market.

The Company is also involved in other businesses that are not exclusively advertising-driven, such as the sale of content produced by the Group to other television networks or VOD platforms, both individually and packaged as complete channels. In the summer of 2019, the VOD activity was relaunched on a subscription basis under Atresplayer Premium. In a bid to strengthen its ability to create, produce and distribute content, in September 2019, Atresmedia Studios, which produces fictional and entertainment content for third parties, reached an agreement with Telefónica to set up a joint venture to produce and distribute fictional content in Spanish worldwide. Start-up of this agreement is contingent on obtaining the pertinent authorisations. Lastly, Atresmedia complies with its statutory obligations to fund European audiovisual works (set out in the Spanish Audiovisual Act, *Ley General Audiovisual*) through its producer, Atresmedia Cine.

Atresmedia carried out business in 2019 amid a growing economy, albeit less so than the year before. The consensus released by Funcas shows GDP growth of 1.9% compared to 2.4% in 2018. Particularly important for our markets was household consumption, with growth estimated at 1.2%, down a sharp 0.6 percentage points from the year before. Growth of job creation is estimated to have slowed slightly, from 2.5% to 2.2%. The average unemployment rate (according to the active population survey, EPA) looks set to fall from 15.3% to 14.1% in 2019.

While these positive figures would, historically, have driven significant growth in the advertising market, the weakness that began in 2018 actually heightened last year. According to Infoadex's estimates, the overall advertising market contracted by 0.2% in 2019, compared to an increase of 3.6% in the year before according to the same source. The television market fared even worse, with an estimated fall of 5.8% in 2019 compared to a slight fall of 0.8% in 2018. The radio market grew by 1.1% compared to overall growth in digital formats of 8.8%.

These figures illustrate the weak performance by Atresmedia's main sources of revenue, radio and television advertising, especially television. There is apparently no single reason. TV consumption fell further in 2019 (by 5.1%) but remained high (3 hours and 42 minutes), in line with levels seen a decade ago. TV still provides the broadest coverage for advertisers. Another considerable change is the alternative provided by digital media to advertisers. Digital media offers a direct relationship between advertising effort and resulting sales through highly targeted campaigns and sophisticated use of the digital environment's large wealth of data. This alternative clearly has merits and Atresmedia offers it to customers. However, it tends to underestimate television's long-term effect, branding power, transparency and, in short, cost-effectiveness, which until now has been unrivalled. The TV advertising market has been undermined by the weakness of certain major advertisers' markets, e.g. automotive, telecommunications and finance.

Atresmedia Televisión's channels achieved a combined 26.2% audience share in 2019, which rises to 27.7% including the commercial target audience; i.e. the most attractive for advertisers, and to 28.6% including the prime time commercial target.

Antena 3 achieved an average audience in total individuals (all day) of 11.7%, with a prime time commercial target audience share of 12.9%. laSexta reported an average audience share in 2019 in total individuals (all day) of 7.0%. Its commercial target share reached 7.0% and 7.6% in all day and prime time. The Group's complementary channels achieved a combined share of 7.5% in total individuals (all day), with a commercial target audience of 8.8%.

Atresmedia Radio had a total average of around 3.4 million listeners in the latest EGM survey (rolling year ended with the third 'wave' of 2019). Onda Cero improved from the third 'wave' of 2018, retaining its position in third place among generalist radio networks with nearly 2.0 million listeners. Turning to thematic radio stations, Europa FM had 1.3 million and Melodía FM had 197 thousand listeners.

In December 2019, Atresmedia Digital topped the 26 million unique user mark, with year-on-year growth of 22%. It now ranks sixth in Spain, competing with the major international digital players. In the summer of 2019, we relaunched Atresplayer Premium, our VOD activity on a subscription basis. It includes a large number of programmes from our catalogue, in addition to exclusive previews of the Atresmedia channels' programming, as well as exclusive quality content. It is all available to subscribers at any time from any connected device and without commercials. The number of subscribers doubled in the offer's first five months and has continued to grow in the first few weeks of 2020.

The international channel distribution business delivered healthy growth in 2019. Atresmedia packages and distributes channels to a large number of cable and satellite operators, mainly in Latin America and the United States. Its offering comprises Antena 3 Internacional, Atreseries, A3Cine and Hola TV, the latter through a company in which Atresmedia holds a 50% stake. Combined, we had 58.4 million users by end-2019, making us the world's largest operator of Spanish language channels.

Atresmedia's share price ended 2019 at EUR 3.482/share, down 20.2% from the closing price in 2018 (EUR 4.362/share). Meanwhile, the IBEX 35 rose by 11.8%, closing at 9,549.20 points. The poor share price performance of 2018 continued in 2019, stemming from the shift in expectations regarding the outlook for TV advertising, which also affected other TV operators in Europe.

Revenue totalled EUR 978.7 million in 2019, compared to EUR 984.5 million the year before. Total income, including other operating income, amounted to EUR 1,039 million, down 0.3% on 2018.

Operating expenses (excluding depreciation, impairment and disposals of non-current assets) amounted to EUR 855.5 million, practically equal to the EUR 855.2 million of 2018. Total operating expenses were EUR 875.0 million, down 0.1% on 2018.

Profit from operations fell by 2.5% in 2019 to EUR 164.6 million.

Profit before tax was virtually unchanged, at EUR 156.8 million compared to EUR 156.5 million, while net profit reached EUR 117.9 million, up from EUR 88.2 million in 2018. Income tax expense in 2018 included an extraordinary negative impact of EUR 37.5 million from the adjustment made to the tax assets from the carryforward of tax losses arising from the merger with laSexta in 2012.

### Events after the reporting period

No significant event took place between the end of the reporting period and the date of authorisation for issue of the Group's financial statements.

## Outlook for the Group

The trend towards weakness of the advertising market against a backdrop of economic growth begun the year before heightened in 2019. This performance was new as advertising has historically shown a strong correlation to general economic activity. The potential explanations for this behaviour, particularly for television advertising, were described above. Consensus estimates indicate that the traditional media advertising market in Spain will continue its down trend over the next few years, except for radio, which is expected to continue growing slowly. Digital media, however, should grow considerably.

While the argument is well known, even with consumption lower than before, free-to-air (FTA) television is still the best way to achieve broad coverage for advertisers. It is far more effective than any other alternative, not to mention that the cost for advertisers is lower, especially in Spain. Noteworthy is that a large proportion of digital media use their role as a complement to TV coverage as a selling point. TV coverage is a given and greater emphasis is paid to the complement. In this respect, it is precisely digital product and services companies that are stepping up their investments in television the most, to the point where they are becoming the leading advertisers in this medium. Therefore, medium term we still believe that television's position will be strengthened in the new environment and that it will begin performing well again.

This does not mean that Atresmedia is not contributing positively to the structural changes of its markets. For the very reason that advertising in digital media has grown and will continue to do so, we have expanded our global footprint significantly and will continue to do so going forward. Our presence is structured through marketing both our own supports (websites and Atresplayer) and third-party media through our subsidiary, Smartclip.

Moreover, content production and distribution has been a key growth driver and should remain one over the next few years. Even though traditional TV consumption is falling, consumption of audiovisual products has grown consistently. To cater to this consumption, demand from end consumers and intermediaries who offer them has also grown. Our Group has reacted quickly to this trend. We were pioneer in selling in-house production to third parties and in international channels, as noted previously. Atresmedia Studios' third-party content creation and production activities began in 2018. This, coupled with the agreement reached in 2019 with Telefónica to further develop this activity and Atresplayer Premium's launch last summer are all part of our growth and diversification strategy.

The results yielded by our diversification endeavours are illustrated by the fact that while traditional television and radio advertising revenues have increased by 4% over the last five years, revenue from the other activities has grown 2.4-fold.

As until now, this growth will be combined with strict control over costs and investment. Precisely because of these changes in the activity mix, we will have to combine rigour in management with flexibility in resource allocation so as to deliver the expected results with maximum efficiency. All this is framed within a prudent funding policy that ensures the liquidity our businesses require, with minimal leverage.

## Research and development activities

The Group does not directly carry out any research and development activities. However, it invests, on an ongoing basis, in all new technologies related to engineering, systems and content distribution. On this front, Atresmedia Corporación de Medios de Comunicación, S.A. has and uses state-of-the-art technology, enabling it to be at the forefront in the deployment of digital activities and in the internet. In 2019, it acquired a stake in an economic interest grouping (EIG) engaged in R&D.

### **Acquisitions of treasury share**

To carry out the long-term remuneration plan for directors and executives approved at the 2016 General Shareholders' Meeting, 118,754 of the company's treasury shares were delivered to the plan beneficiaries on 29 April 2019.

No other transactions were carried out with treasury shares in 2019.

As a result, the number of treasury shares decreased from 791,880 at the end of 2018 to 673,126 at the end of 2019.

These shares were acquired to meet the obligations of the share-based payment plan. The second and final delivery is slated for the end of February 2020, once all the requirements of the plan have been met.

### **Average supplier payment period**

"Average supplier payment period" is the time elapsed between the delivery of the goods or the rendering of the services by the supplier and the actual payment of the transaction.

The statutory payment limit applicable under Law 3/2004, of 29 December, establishing measures to combat late payment in commercial transactions and the transitional provisions set out in Law 15/2010, of 5 July, was 60 days as from 2013.

The average supplier payment period in 2019 was 58 days.

### **Use of financial instruments and main financial risks**

The Group uses financial instruments to hedge the foreign currency risk on the purchases of broadcasting rights in the year.

At 31 December 2019, the Parent had entered into hedging instruments on its foreign currency asset and liability positions amounting to USD 56,979 thousand, at a weighted average exchange rate of 1.1802 (USD/EUR). The net fair value of these hedging instruments gave rise to a financial asset of EUR 1,859 thousand and a financial liability of EUR 248 thousand at year-end.

Also, interest rate swaps were arranged to fix the financial cost arising from the floating rates established in the syndicated financing agreement entered into in July 2017. Their fair value at 31 December 2019 was EUR 1,176 thousand, recognised as a non-current financial liability.

On 11 July 2018, the Parent carried out an issue of bonds for USD 200,000 thousand, with maturity at five years (USD 75,000 thousand) and seven years (USD 125,000 thousand), with semi-annual payment of coupons at a fixed rate of interest. Cross currency swaps have been entered into to hedge the risk of fluctuations of these issuances, resulting in a fixed exchange rate and half-yearly payments of coupons on the bonds and debentures at a fixed rate in euros. At 31 December 2019, the fair value of the derivative related to the bond issue was recognised as a financial asset for EUR 17,012 thousand.

The Group's risk management and control system is reviewed and updated regularly in response to how the Group's businesses perform and evolve, to risks that actually materialise, to changes in the law, and to how the organisation itself changes and evolves.

This risk management and control system helps the management team to make the right decisions and address risk effectively. We identify and implement any controls and action plans necessary targeting known risks; this enhances our ability to create value and minimises any impact of losses that actually materialise.

Risk analysis and control touches on all the Group's businesses and activities involves all our organisational units. This means that risk management and control is a corporate system in which the entire organisation is on alert. The system is headed and overseen by the Board, yet some of its functions are delegated to the Audit and Control Committee. Risk management also brings into play the coordinating role of the Compliance Committee, and input from the Legal Affairs, in risk management and compliance control, Finance, related to financial risks and the controls comprising the system for internal control over financial reporting (ICFR), and, lastly, Internal Audit and Process Control, the coordination and oversight of the overall operation of the risk management system.

The Group has the necessary tools and organisation to ensure effectiveness of the control procedures approved.

The Group's main financial risks are:

a) Foreign currency risk. Foreign currency risk is concentrated basically in payments in international markets to acquire broadcasting rights. To mitigate this risk, the Group enters into hedging instruments, mainly currency forwards.

b) Liquidity risk. The Group's liquidity policy is to arrange credit facilities and short-term investments for sufficient amounts to cover funding requirements based on the outlook for the business.

a) Credit risk. The Group does not have significant credit risk since the average customer collection period is short and the advertising contract terms allow for bank guarantees to be required prior to the launch of advertising campaigns. Cash placements are made and derivative instruments are arranged with institutions of recognised solvency.

d) Interest rate risk. The Group's borrowings are exposed to interest rate risk. Financing is arranged at interest rates tied to Euribor. To mitigate this risk, the Parent has entered into interest rate swaps (IRSs) to reduce its exposure to variable rates.

e) Foreign currency cash flow risk. The Group uses cross currency swaps that swap capital and interest flows in dollars for other capital and interest flows in euros, fixing the exchange rate and half-yearly coupons of the debt from bonds and debentures at a fixed rate in euros.

### Alternative performance measures

To comply with the European Securities Market Authority (ESMA) guidelines on Alternative Performance Measures ("APMs"), the Group presents additional information to improve comparability, reliability and comprehensibility of its financial information.

The Group presents its earnings in accordance with the applicable financial reporting framework (EU-IFRSs), but the directors consider that certain APMs add useful financial information that should be considered when assessing its performance. Directors and management may also use these APMs in their financial, operational and planning decision-making and to evaluate the Group's performance. The Group provides the APMs it considers appropriate and useful for decision-making by users.

**Total revenue:** the sum of revenue and other operating income.

Thousands of euros	2019	2018
Revenue	978,693	984,504
Other operating income	60,713	57,820
<b>Total revenue</b>	<b>1,039,406</b>	<b>1,042,324</b>

**Operating expenses:** the sum of programme amortisation and other procurements, staff costs and other operating expenses.

Thousands of euros	2019	2018
Programme amortisation and other procurements	470,764	486,094
Staff costs	161,741	134,435
Other operating expenses	222,956	234,649
<b>Operating expenses</b>	<b>855,461</b>	<b>855,178</b>

**EBITDA** (Earnings before interest, tax, depreciation and amortisation): profit or loss from operations plus amortisation and depreciation, impairment and gains/(losses) on disposals of non-current assets.

Thousands of euros	2019	2018
<b>Profit from operations</b>	<b>164,406</b>	<b>168,585</b>
Amortisation and depreciation	19,587	18,554
Impairment and gains/(losses) on disposals of non-current assets	(48)	7
<b>EBITDA</b>	<b>183,945</b>	<b>187,146</b>

**Net financial income/(loss):** finance costs and income (financial result) plus net gains or losses in changes in the value of financial instruments at fair value and exchange gains or losses.

**Working capital:** current assets minus current liabilities. This a financial measure of the operational liquidity available to the Group.

Thousands of euros	2019	2018
Current assets	699,506	750,168
Current liabilities	486,287	593,361
<b>Working capital</b>	<b>213,219</b>	<b>156,807</b>

Any ratios between the APMs can also be considered an alternative performance measure.



# ATRESMEDIA

## **ATRESMEDIA CORPORACIÓN DE MEDIOS DE COMUNICACIÓN, S.A. AND SUBSIDIARIES**

Atresmedia Consolidated Non-Financial  
Statement

for 2019



## 2019

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# 1. Letter from the Chairman

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This has been an exciting and, we are glad to report, highly satisfying year for us. Audiovisual consumption and the transformation of the advertising market raced ahead, yet these are challenges that Atresmedia anticipated and successfully addressed. In future, the correlation between macroeconomic figures and advertising spend will become weaker, while advertisers will be increasingly drawn to digital platforms. Furthermore, in 2020 our business will be strongly supported, we believe, by two regulatory initiatives. First, the new rules are expected to level the playing field for all operators; second, a new 'blackout' will lead to changes in the radio spectrum allocation. In addition, technology will continue to move forward at a breakneck pace, offering myriad opportunities for our industry.

In 2019, the strategic goals we had set ourselves in 2018 continued to guide our business. We strengthened the core television and radio activity by riding the technological wave, leveraging Atresmedia's content creation capability and building a diversified global powerhouse. Atresmedia's transformation into a multiplatform communications group that brings together the analogue and digital worlds led to the launch of our new Atresmedia Premium, with exclusive in-house content and new functionalities that enrich user experience. We moved forward with using Big Data techniques to collect, process and monetise the vast mass of information generated by our online activity and bring our audience an even better experience. In content creation, Atresmedia formed a historic strategic alliance. Telefónica and Atresmedia are combining their talent and resources to produce and distribute content worldwide. The creation of this new content factory will make us even more competitive in Spain and internationally.

Our audience and the industry continue to support our strategy and model, predicated on quality, innovation, respect and commitment. Atresmedia was the leading news network again in 2019, earning the audience's trust in our journalists and our way of reporting and commenting on current events. The appeal of our content led to milestones such as the most-watched premiere of an entertainment show of the past six years, *La Voz*, and awards such as the Premio Ondas for our Onda Cero radio show *Más de uno*. Atresmedia Cine's films successfully competed in Spanish and international festivals, winning prizes at the Goya and BAFTA ceremonies. Our international channels now have 59 million subscribers.

The Atresmedia Group is aware that, as a media company, it is under a duty to the wider community. We are accountable as a major employer, as a major contractor of suppliers, and as an investment of choice for our shareholders. Our commitment to fulfil those duties is reflected in the review of our General Corporate Responsibility Policy. The policy update brings us closer to industry trends and helps us meet the needs of the reality in which we operate, while preserving our long-standing hallmark as a company that is serious about accountability. This year, the Board confirmed its support for the Corporate Responsibility Master Plan that will run through to 2020 by spending more of its meeting time addressing non-financial issues.

We continued to align closely with the United Nations Global Compact, the 2030 Agenda and the Sustainable Development Goals. We are aware that we can play a key role in achieving those objectives, and so we focus on initiatives that involve our internal and external audiences and the wider community. Our *Compromiso Atresmedia* initiatives and the efforts of Fundación Atresmedia are our Group's response to the global social and environmental challenges that we all face.

In the exciting journey that is our business we must be grateful to all those who help us to succeed, and without whom we would be unable to achieve our goals. Our success and our ability to find the best response to every change we encounter arise from the enthusiasm, talent and discipline of the 2,527 people who formed part of the Group in 2019 and share our belief in the power of reflection and emotion that shapes us as a company. Our project as a global audiovisual group only makes sense in the light of the trust placed in us by our advertisers, for whom we remain the advertising venue of choice. Our role is to provide a secure environment in which advertisers' brands can be displayed without risk facing a general audience. We must also make sure that ours is the right venue to advocate for our advertisers' social causes – many advertisers choose us as their partners for social action. We thank our audience for choosing us, our content providers for their commitment to innovative creativity, and our shareholders for their continued support for our leading business model. We are grateful to all our stakeholders and we hope you feel that the Group's successes are also your own.

This annual report provides a detailed account of our performance and results in 2019 and an overview of the new challenges that our industry now faces.

José Creuheras

## 2. Message from the Chief Executive Officer

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For the first time, we present you with a single document that, at the same time, fulfils a need and answers a concern. We are under a statutory duty to account to the public regarding non-financial matters; we are also historically committed to transparency facing our stakeholders. Until now, these two duties were discharged with two separate documents. By integrating those two documents into a single publication we hope to fulfil both of those goals, providing specific information with the rigour and transparency in which we take pride.

The complexity and the swift pace of change we now see in the audiovisual industry lend fresh meaning to our corporate purpose and reinforce our belief that, through reflection and emotion, we shall find the right answers to the economic, technological and social challenges we now face. In 2019, the advertising market and consumer trends continued to transform and evolve, as witnessed in previous years. However, yet again this year, television proved to be advertisers' preferred medium due to its effectiveness and reach. Every year, the Group strengthens and extends its proven capabilities in terms of the quality, innovativeness and popular appeal of our media formats. That is why we are still a powerfully attractive linear platform in the audiovisual market. In 2019, advertisers' trust and Atresmedia's ambition to retain its leadership encouraged the Group to review and relaunch its advertising strategy: from now on, we will be integrating the linear and digital environments within a single audiovisual market where the offering to advertisers will be hybrid and segmented.

Despite a tumultuous 2019, our results prove that over the year we worked on the right things. We ended the year with revenue of EUR 1,039 million, EBITDA of EUR 183.9 million and consolidated profit of EUR 118 million.

Our belief in our business model and content, guided by principles of quality, innovation and social sensitivity, continued to deliver strong results. Yet again, surveys showed we are perceived as the best media company across variables such as quality, variety and popular appeal in our content, and in our social sensitivity and viewpoint diversity. Our news programmes enjoy high credibility, and topped the league table for the second consecutive year. We are strongly determined to fight misinformation and "fake news". Our use of augmented reality technology brings current affairs to our viewers' attention in a more appealing, visual and attractive way. Our efforts to ensure that the general public receives the best news reporting were recognised by the Reuters Institute, which acknowledged Antena 3 Noticias and laSexta Noticias as the leading news sources for the Spanish public in terms of credibility and trust.

We are grateful for the milestone achievements of the year: every day, 21.5 million people chose our channels for news and entertainment, making us the Spanish communications group with the largest daily audience for our content; in addition, 3.5 million people tuned into our radio stations every day. Our international channels now reach 59 million households around the world. By revamping our Atresplayer Premium streaming platform and our web content, we ended the year as the leading online media company, with 26 million unique users.

An example of our leadership that shows why the audience chooses us was the premiere of *La Voz* in 2019. This was the most-watched television entertainment production of the past six years. Moreover, the Premios Ondas prizes acknowledged the quality of our radio programming by awarding the Ondas Nacional de Radio accolade to our show *Más de uno*.

The Group's fiction output is synonymous with innovation, creative partnership, rising demand and success. In 2019, our strategic alliance with Telefónica to produce and distribute content enabled Atresmedia to scale up and become the undisputed leaders in fiction creation for the Spanish and international markets. A further feature of this partnership was that Atresmedia Cine became a division of Atresmedia Studios, further strengthening our position as a global audiovisual content factory. Atresmedia's films drew acclaim from the public and made EUR 29 million at the box office. We won Spanish and international awards: 10 Goyas for our motion pictures *El Reino* and *La Sombra de la Ley*; while our animated film *Klaus* was a triumph, winning a BAFTA and a nomination for the 2020 Oscars.

Our consistent ability to achieve these goals arises from a balance between profitability and a commitment to society. At Atresmedia, we believe we are doing our job right only if we meet the expectations of our stakeholders and raise awareness of social causes that demand our full attention and action. We have the power to communicate, appeal to and influence people. So, we are under a responsibility to use our power to communicate not just to inform or entertain but also to build a better world. Atresmedia plays its role as a responsible media firm internally and externally by implementing a Corporate Responsibility Master Plan, as described later in this publication.

Looking inward, as a media company, our efforts focus on quality, diversity and accessibility in our content, while upholding ethics, truthfulness and independence in our news reporting. One of the key tools we use to achieve these goals is to attract talent and train our employees continuously in all the skills needed to undertake new projects and successfully face emerging technological change.

Looking outward, we ensure that the most pressing social causes receive the attention and space they deserve in order to stimulate debate and raise the awareness needed to bring about real change that improves our society. For more than a decade our vehicles for this work have been Compromiso Atresmedia and Fundación Atresmedia. We are proud to have witnessed their achievements in key areas for the Group, such as road safety, the fight against gender violence, medical research, heritage protection, health, the environment and education. This year, we launched our new initiative *Levanta la cabeza* ('raise your head') which raises awareness of the need to use technology responsibly.

I am eager to join all of you in facing the challenges of the industry in 2020, during which we shall celebrate the 30th anniversary of Antena 3 and Onda Cero: three decades of news and entertainment; three decades of reflection and emotion.

Silvio González

### 3. The year at a glance

#### Financial results

**€1,039.4 mn**

revenue

(-0.28% vs. 2018)

**€965.1 mn**

Audiovisual

(+2.2% vs. 2019)

**€83.1 mn**

Radio

(+16.36% vs.  
2018)

**€183.95 mn**

EBITDA

(-1.71% vs. 2018)

**€118 mn**

net profit

(+33.8% vs. 2018)

#### Human team

**2,527 employees**

(+18.81% vs. 2018)



**52.04%**



**47.96%**

**408**

employee training  
actions

(+22.16% vs. 2018)

**36,863**

training hours

(+15.25% vs.  
2018)

**56%** new women  
hires

(+3.13% vs. 2018)

**84%**

permanent  
contracts

(+3.45% vs. 2018)

## Social contribution

**€14.9 mn**

of gifted advertising campaigns  
(+8.24% vs. 2018)

**28 initiatives**

of corporate volunteering  
(+62.02% vs. 2018)

**18,699 showings**

of Atresmedia  
commitment campaigns  
(+99.71% vs. 2018)

**€500,000**

donations to Fundación Atresmedia

**42,109**

hours subtitled  
(+0.08% vs.  
2018)

**€380 mn**

of funding  
raised for  
startups in  
diversification

## Environmental contribution

**€356,334 mn**

invested in the environment  
(+160% vs. 2018)

**130,246 GJ**

of energy consumption  
(-2.61% vs. 2018)

**50,618 litres**

of water consumed  
(-8.69% vs. 2018)

**C rating**

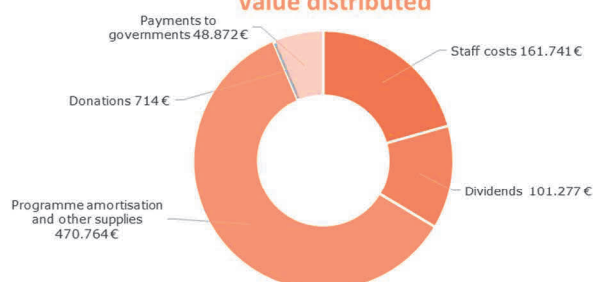
in CDP and B-  
in the supplier engagement  
category

## Direct economic value generated and distributed

**Economic value generated**  
**€1,014.8 mn**

**Direct economic value distributed**  
**€783.27 mn**

### Breakdown of direct economic value distributed





## 4. About this report

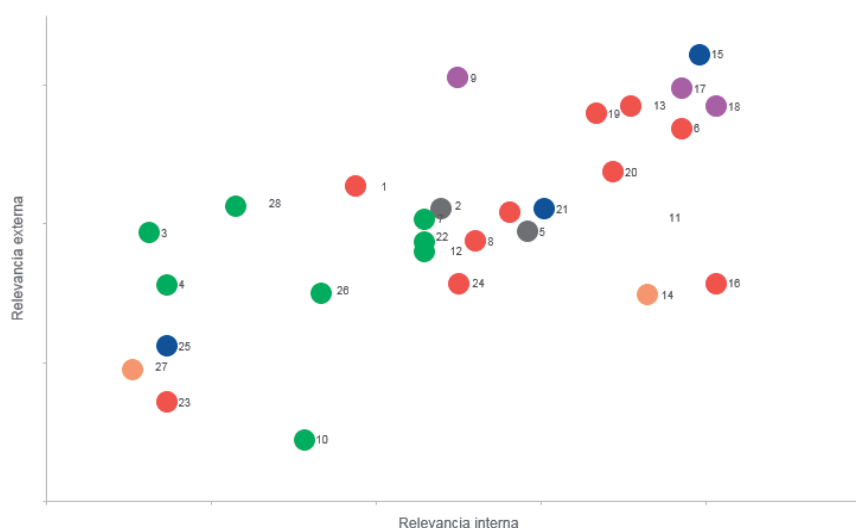
The non-financial statement was prepared in accordance with Law 11/2018, of 28 December 2018, on non-financial and diversity information, approved on 13 December 2018 by the Spanish Congress of Deputies, amending the Spanish Commercial Code, the consolidated text of the Spanish Companies Act (texto refundido de la Ley de Sociedades de Capital) approved by Royal Legislative Decree 1/2010, of 2 July, and Spanish Audit Law 22/2015, of 20 July, on disclosures of non-financial and diversity information (from Royal Decree-Law 18/2017, of 24 November).

It also considered the European Commission guidelines on non-financial reporting (2017/C 215/01) arising from Directive 2014/95/UE, and the content of the Global Reporting Initiative's Sustainability Reporting Guidelines (GRI Standards) under the core option and the GRI G4 guidelines media sector supplement.

Through the non-financial statement, Atresmedia reports on environmental, corporate governance, employee-related, social and human rights matters that are relevant for the Company in carrying out its business.

Questions regarding report content and the definition process may be sent to [responsabilidad.corporativa@atresmedia.com](mailto:responsabilidad.corporativa@atresmedia.com) or to Atresmedia Corporación, Av. Isla Graciosa 13, San Sebastián de los Reyes, 28703 (Madrid), which is the Group's main address.

**Materiality:** the information contained in this report is considered material by virtue of the internal and external consultation process carried out in 2018 for the Corporate Responsibility Report. All relevant material aspects have been analysed to identify how they relate to the specific content and indicators included in the new GRI G4 Standards. Atresmedia has selected those disclosures that truly respond to the interests of stakeholders and its own strategy. As a result of the consultation process, it was also determined that, given the nature of its operations, the specific characteristics of the industry and the Group's activity, the contents of Law 11/2018 on noise and light pollution, waste management and the circular economy, supervision of the supply chain, food waste, biodiversity, and the impact on protected areas are not considered material.



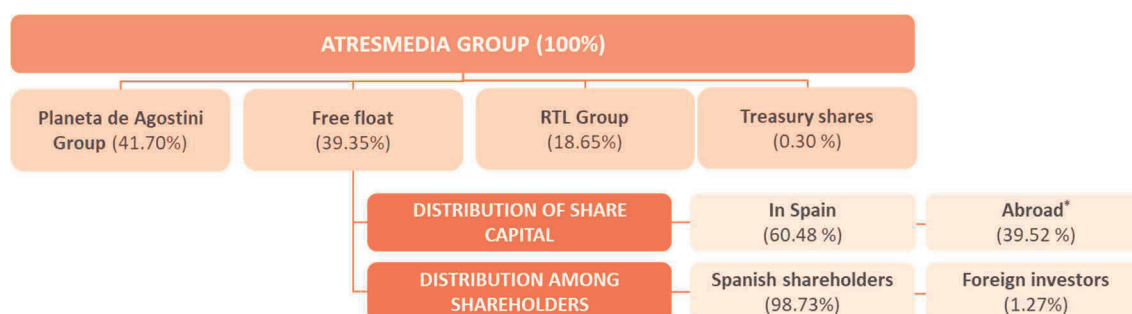
Domains		Topics
	<b>CSR integration</b>	1 Management of non-financial topics
		2 Strategic vision of non-financial topics
	<b>Procurement</b>	3 Application of ESG criteria to the supply chain
		4 Cooperation with suppliers and subcontractors
	<b>Good governance</b>	5 Governance and compliance model
		6 Information security
		7 Risk management
	<b>Human Resources</b>	8 Equality, diversity and work-life balance
		9 Talent management
		10 Dialogue with employees
	<b>Content production and distribution</b>	11 Content diversity and inclusiveness
		12 Content accessibility
		13 Use of new technologies for content distribution
		14 Innovation in content production
		15 Independence and rigour
		16 Positioning management
		17 Child protection
		18 Responsible content
		19 Responsible advertising
		20 Protection of intellectual property
		21 Ethics and responsibility in production and distribution
	<b>Contribution and impact</b>	22 Contribution to the community
		23 Support to entrepreneurship
		24 Programming on key community issues
		25 Media and online skills education
		26 Stakeholder engagement
		27 Environmental commitment
		28 Raising awareness about care for the environment

## 5. About us

Atresmedia is Spain's leading communications group, with operations in the television, radio, internet, film and audiovisual production sectors. The Group implements its strategy through various business divisions: Atresmedia Televisión (Antena 3, laSexta, Neox, Nova, Mega and Atreseries), Atresmedia Radio (Onda Cero, Europa FM, Melodía FM), Atresmedia Publicidad (advertisement and commercial field), Atresmedia Diversificación (businesses and activities that do not depend on the advertising market) and Atresmedia Studios (third-party film, fiction and entertainment production). They all share the core values of quality, innovation, engagement, plurality and commitment to the industry, which govern all their activities and enable them to fulfil their purpose as a company, as well as their mission and vision.

Atresmedia Corporación is a listed company that currently displays the following shareholder structure:

- Major shareholders represented on the Board: Planeta de Agostini Group and RTL Group, controlling 41.7% and 18.65% of share capital, respectively.
- Treasury shares: 0.3%
- Free float (exchange-traded share capital): approximately 39.35%



\*Stake > 1%: Germany, United States, United Kingdom, Belgium, Luxembourg and France

Most of our shareholders are small investors. 95.68% of Spanish shareholders and 91.32% of foreign shareholders hold 1 to 1,000 shares; these positions combined account for only 5.85% of total share capital admitted to trading.

The two shareholders with significant shareholdings are:

Shareholder	Activity	Board presence
<b>Planeta De Agostini Group<sup>1</sup></b>	The group emerged from a strategic alliance between the Planeta Group and De Agostini. Its goal is to entrench its leadership in publishing, explore new economic sectors and, in particular, to become a major player in audiovisual media.	Mauricio Casals Aldama, Marco Drago and Carlos Fernández Sanchiz <sup>2</sup> .
<b>RTL Group<sup>3</sup></b>	RTL is the European leader in the entertainment market, with 67 television channels, 8 video-on-demand (VOD) platforms and 30 radio stations. Headquartered in Luxembourg, the company has radio and television interests in Germany, France, Belgium, the Netherlands, Luxembourg, Spain, Hungary, and Croatia. It also produces content, which it distributes to all continents, and has interests in several digital video businesses. RTL's shares are listed on the Frankfurt and Luxembourg exchanges.	Elmar Heggen and Nicolas de Tavernost.

<sup>1</sup> Grupo Planeta de Agostini, S.L. has an ownership interest through its wholly owned single-member subsidiary GRUPO PASA CARTERA, S.A.U.

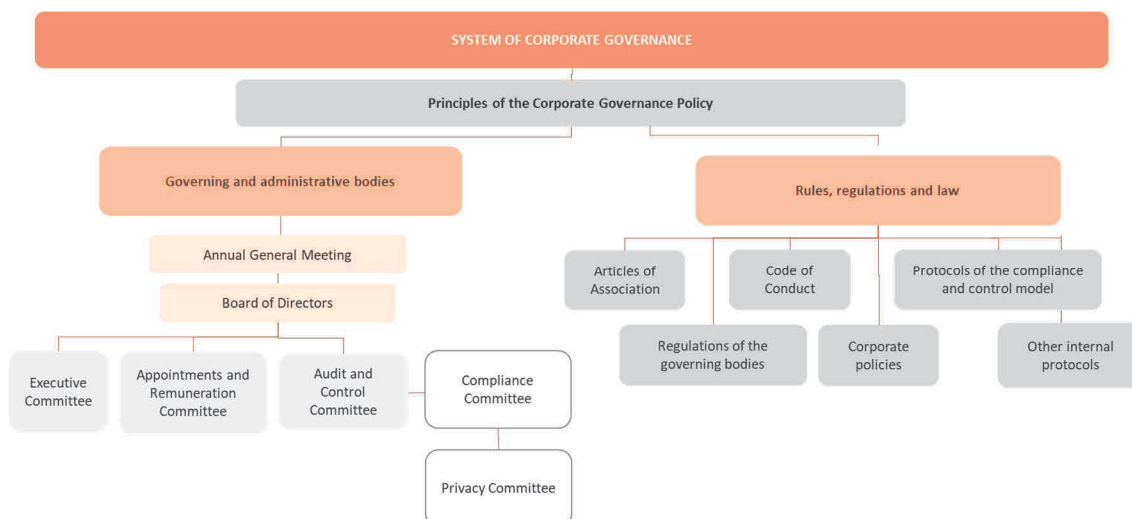
<sup>2</sup> The chairman, José Creuheras Margenat, is a proprietary director appointed at the proposal of the Planeta De Agostini Group. Pursuant to Article 529 *duodecies* (1) of the Spanish Companies Act, he qualifies as an executive director.

<sup>3</sup> RTL Group, S.A. (controlled by Bertelsmann, A.G.) has an ownership interest through UFA FILM UND FERNSEH GMBH, which is the direct shareholder of Atresmedia Corporación.

## 5.1 Corporate governance

The corporate governance and decision-making system is based on the Corporate Governance Policy and comprises the governance and management organs, subject to statutory provisions that ensure that those organs function properly, are suitably controlled, and interact appropriately with stakeholders. Further information on this system is provided in the Annual Corporate Governance Report (ACGR).

Components of Atresmedia's corporate governance system:



The 2019 ACGR provides a detailed description of the structure and operation of the entity's governing bodies, their composition, the entity's shareholder body, related party transactions, the risk management and control model, the conduct of the general meeting and the extent of compliance with the recommendations of the Code of Good Governance for Listed Companies.

Atresmedia made further improvements in the area of good governance in 2019. At year-end 2019, Atresmedia complied with 59 of the 60 recommendations applicable to it of the 64 recommendations of the Code of Good Governance for Listed Companies (see section G of the 2019 ACGR). The Code of Good Governance is currently being revised, so Atresmedia's priorities for 2020 will include analysing the new recommendations and studying how to adapt its governance system.

The Company follows Recommendation 36 of the Good Governance Code and evaluates the performance of the governing bodies every three years with the assistance of an independent external advisor. The evaluation for 2018 was performed internally, with the findings set out in a report that included a 2019 action plan with specific proposals for improvement. All of them were fully implemented and related to continuous improvement of good governance in general by applying the principles of the Corporate Governance Policy, and the improvement of the evaluation process in particular.

The evaluation for 2019 was performed with advice from an independent third party based on information obtained in personal interviews with the directors, individual questionnaires and corporate documentation. Improvements were made from previous evaluations, which directors viewed as an opportunity to contribute personally to the organisation, thus helping the administrative bodies and their members to perform better.

The new director assessment questionnaire included questions on governance, compliance and corporate responsibility.

In accordance with the 2018-2020 Corporate Responsibility Master Plan, greater emphasis was placed on non-financial information in reports approved by the Board of Directors, based on reports by the Audit and Control Committee, for reporting earnings to the market through the Spanish National Securities Commission (CNMV). Moreover, the number of Audit and Control Committee and Board of Directors meetings with items related to non-financial management on the agenda increased.

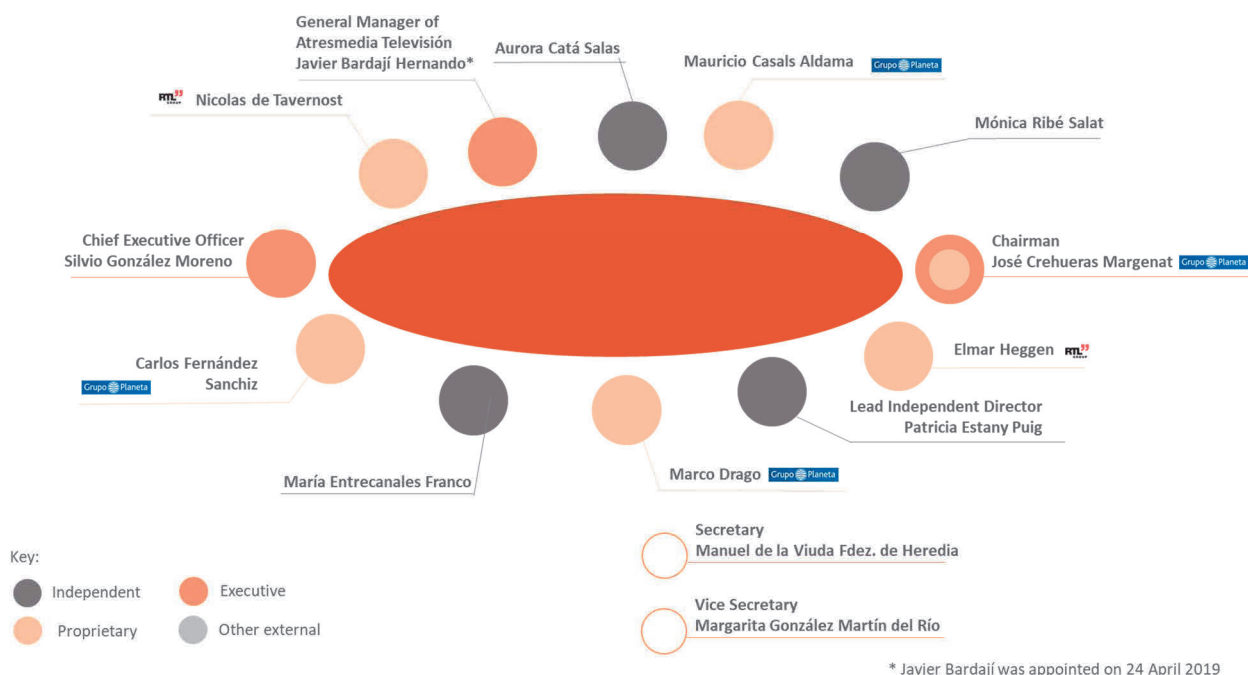
These meetings addressed the following issues related to governance, compliance and corporate responsibility:



The company's efforts in transparency and commitment in reporting to stakeholders were recognised in Compromiso Empresarial's 'Transparency, credibility and good governance ranking'. Atresmedia achieved the highest ranking of the 21 private listed and unlisted communication groups assessed.

## Board of Directors

At 31 December 2019, the Board of Directors was composed of 12 directors. One director, Javier Bardají Hernando, was appointed executive director for the first time in April 2019 to cover the vacancy following the conclusion of Maurizio Carlotti's tenure as other external director. Four board members are women (more than 30% of the total), with an average age of 60. The type, diversity of skills and representation of proprietary directors are as follows:



### Diversity of administrative bodies:

	Executive		Proprietary		Independent		Women	
<b>Board of Directors</b>	3	25%	5	41.67%	4	33.33%	4	33.33%
<b>Executive Committee</b>	2	40%	2	40%	1	20%	1	20%
<b>Audit and Control Committee</b>	-	-	2	40%	3	60%	3	60%
<b>Appointments and Remuneration Committee</b>	-	-	2	40%	3	60%	3	60%

	By age	
	No.	% of total
<b>Under 50</b>	1	8.33%
<b>Between 50 and 60</b>	5	41.67%
<b>Over 60</b>	6	50%
<b>Average age</b>	60	

	By nationality	
	No.	% of total
<b>Spanish</b>	9	75%
<b>Foreign</b>	3	25%



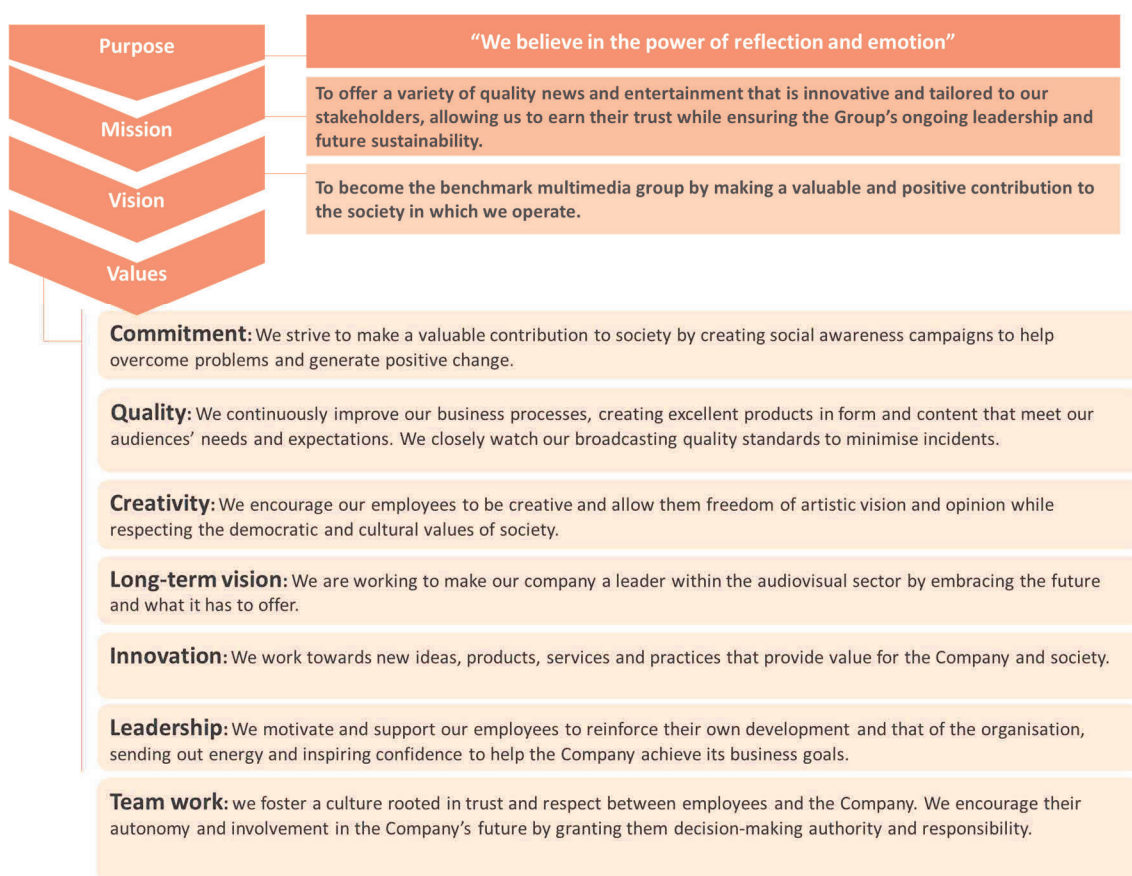
In terms of diversity of skills, Atresmedia's directors have the full range of knowledge required by the Group's activity. All boast solid careers in management and strategy, with most having experience in the media sector. Some directors have broad experience in finance, risk and insurance and several are experts in non-financial management and sustainability.

By expertise	No. of directors
Management	12
Strategy	12
Media	8
Finance and risks	8
Governance and sustainability	6
Insurance	1

## 5.2 Atresmedia's purpose, mission, vision and values

In 2018, Atresmedia carried out a process of discovering its corporate purpose so as to put into words the Group's *raison d'être*. The result of the process was **"We believe in the power of reflection and emotion."** Everyone at Atresmedia is convinced that the news and entertainment content produced and disseminated by the Group generates reflection and emotion, helping to drive a positive impact on society. The purpose was implemented in 2019 via internal dissemination through communications with the Board of Directors, the Management Committee, the Corporate Responsibility Committee and employees. Externally, it was included in the full structure of corporate policies, press releases, communications to the CNMV and presentations to advertisers and audiences.

The corporate purpose embodies the mission, vision and values that govern the activity of Atresmedia:



### Our role as a broadcaster








In Spain, average daily TV consumption per person is almost four hours. In view of this figure, Atresmedia believes its main responsibility is to raise awareness about certain values and citizen behaviours through the content it creates and disseminates. It must therefore exercise its role as a media broadcaster with two overriding objectives in sight: ensuring responsible broadcasting with regard to audiences and supporting and raising awareness of social causes with regard to society as a whole.

With this in mind, we designed and drew up the General Corporate Responsibility Policy in 2010, which was updated in 2015 and revised again in 2019. This policy is supervised and controlled by the Audit and Control Committee and is further supplemented by our policies on responsible advertising, human resources and the environment, all of which were revised in 2019 and regulate non-financial matters that impact, or have the potential to impact, the Group's activities.

The General Corporate Responsibility Policy (General CR Policy) sets out the Group's commitments and the guiding principles for delivering on them in the right way. These commitments and principles complement the Company's strategic priorities, and guide the actions taken to achieve them:

The main changes to the General CR Policy from the previous version are:

- Inclusion of Atresmedia's corporate purpose as a framework for CR strategy and all the Group's CR principles and actions.
- Increased commitment to protecting minors and to a safe environment for advertisers in the section on the commitment to responsible advertising.
- Definition of the new tools provided to the Company in the areas of equality and ethics in human resources: the Equality Plan, the Code of Conduct, the Whistleblowing Channel.
- Specific mention of Atresmedia's commitment to the Sustainable Development Goals as part of its commitment to society.
- Integration of content from the social commitment policy in the General CR policy.

2019 GENERAL CORPORATE RESPONSIBILITY POLICY		
Commitments		Principles of action
	C 1. To produce and broadcast responsible news and entertainment content that is accessible for all society	Quality, commitment, accessibility, accuracy, viewpoint diversity; and protection of and advocacy for human rights
	C 2. To promote high quality, honest and ethical advertising in all our media	Honest and transparent business management, service quality, efficiency and innovation, advertising self-regulation, respect for human rights, child protection, and commitment to wider society
	C 3. To support our employees as the company's main asset	Provide quality employment and a rewarding work environment, promote equality, diversity and work-life balance, guarantee labour rights and promote ethical behaviour among the people who are part of our Company.
	C 4. To help society progress and develop	Commitment to achieving the United Nations Sustainable Development Goals, social awareness through the media channels of Atresmedia, active collaboration with non-profits, promotion of corporate volunteering among our employees, and creation of Fundación Atresmedia to promote the welfare and rights of children and young people
	C 5. To minimise environmental impact and raise awareness in society about caring for the environment	Reduce the environmental impacts of our operations and raise society's environmental awareness through our media outlets
	C 6. To strengthen corporate governance	Comprehensive corporate governance system, corporate governance policy, Audit and Control Committee and Appointments and Remuneration Committee
	C 7. To transmit the corporate policies and values throughout the value chain	Fairness, transparency, impartiality and independence in relations with our suppliers of goods and services, sustainability in our procurement processes, and shared commitment with our suppliers
	C 8. To establish transparent relations with stakeholders	Channels for fluid and active dialogue with our stakeholders, transparency, truthfulness and balance in corporate reporting, and active involvement in Spanish and international corporate responsibility forums and organisations

Atresmedia undertakes to apply these principles horizontally across all its activities. Therefore, Atresmedia conceives of its Group responsibility as a twofold commitment.



Atresmedia's Corporate Responsibility Committee is comprehensive in its concerns and consultative and advisory in its nature. Committee members include representatives drawn from Human Resources, Operations Management, General Services, Internal Audit, Corporate Governance, Advertising, Radio and Television Content, News and Current Affairs, Suppliers and Strategy.

This internal organisation, which oversees Atresmedia's responsibility, is complemented by the 2018-2020 Corporate Responsibility Master Plan, on which Atresmedia is still working. Key milestones in its implementation in 2019 were:

- Update of the Corporate Responsibility Policy and the other complementary corporate policies (Human Resources, Environment and Responsible Advertising).
- Implementation and communication of the corporate purpose.
- Increase in the number of specific Audit and Control Committee meetings addressing CR issues.
- Amendments to CR clauses in supplier contracts.
- Publication of KPIs in the non-financial dashboard.

Atresmedia made its non-financial dashboard public in 2019, along with the company's initiatives to comply with it in its day-to-day operations. Final appendix - Non-financial dashboard provides a selection of dashboard indicators.

In a bid to further integrate CR in the Company, Atresmedia is actively involved in Forética, Fundación SERES, the Global Compact and the Responsible Media Forum, all benchmark entities that promote integrating social, environmental and good governance aspects into companies' strategy and management.

## 5.3 Market landscape

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The Spanish economy grew by 1.9% in 2019, according to Funcas' preliminary figures. Driving growth, albeit unevenly, were domestic demand, which contributed 1.7%, and external demand, which only contributed an estimated 0.2% to the growth of the Spanish economy. However, forecasts by both the Spanish government and major international agencies (e.g. the OECD and the IMF) were more upbeat. Accordingly, expectations for 2020 have been revised down to around 1.8% by the government and 1.5% by the European Commission. Household consumption, the main driver of advertising spend, is expected to grow by 1.4% in 2020, in line with the solid performance of domestic demand, boding well for the audiovisual market to maintain a healthy pace.

Global leisure consumption patterns vary considerably from year to year and are underpinned by three main trends: linear TV consumption, which continues to wane as non-linear consumption grows; online platform usage, which is levelling off at 170 minutes a day, reflecting the market's maturity; and radio, which is still feeding on a loyal audience that hardly changes its daily usage.

Broadly speaking, the advertising sector continues to show a decoupling between the performance of the Spanish economy and advertising investment, which remains flat while global GDP continues to trend up slightly. Looking at television, although it is still the most attractive medium for advertisers, statistics show a drop in investment, which is shifting towards digital media. Infoadex figures indicate a fall in advertising investment of 0.6% in 2019, with an especially sharp drop in paper and television, which sustained a 5.8% year-on-year drop in investment.

Meanwhile, digital media have accumulated average growth of 8.8% across all formats, making it the leader by investment (behind TV). This trend is driven by individual Internet exposure, which reached 177 minutes a day in 2019. Radio still ranks third by daily consumption (97 minutes). At Atresmedia, this business achieved new heights during the year, reinforcing its position among advertisers: Onda Cero was the only generalist radio network to deliver growth for the second year in a row and more importantly to increase its online consumption. This is a powerful combination for investment.

On the technological front, the industry must recognise the host of production quality opportunities and the distribution and consumption options opened up by the changing environment. Wider and better access to platforms also means a broader advertising product offering. Advertisers can become more efficient by increasingly and more selectively segmenting their target audiences.

Lastly, on the regulatory front, Spain was immersed in an antenna boom in 2019 following the release of the 700 MHz band in favour of 5G mobile services, which is scheduled to be completed by June 2020. Moreover, the European Union's ePrivacy Regulation increases citizens' privacy on the Internet and poses stricter data protection regulation, both of which will bolster the digital single market.

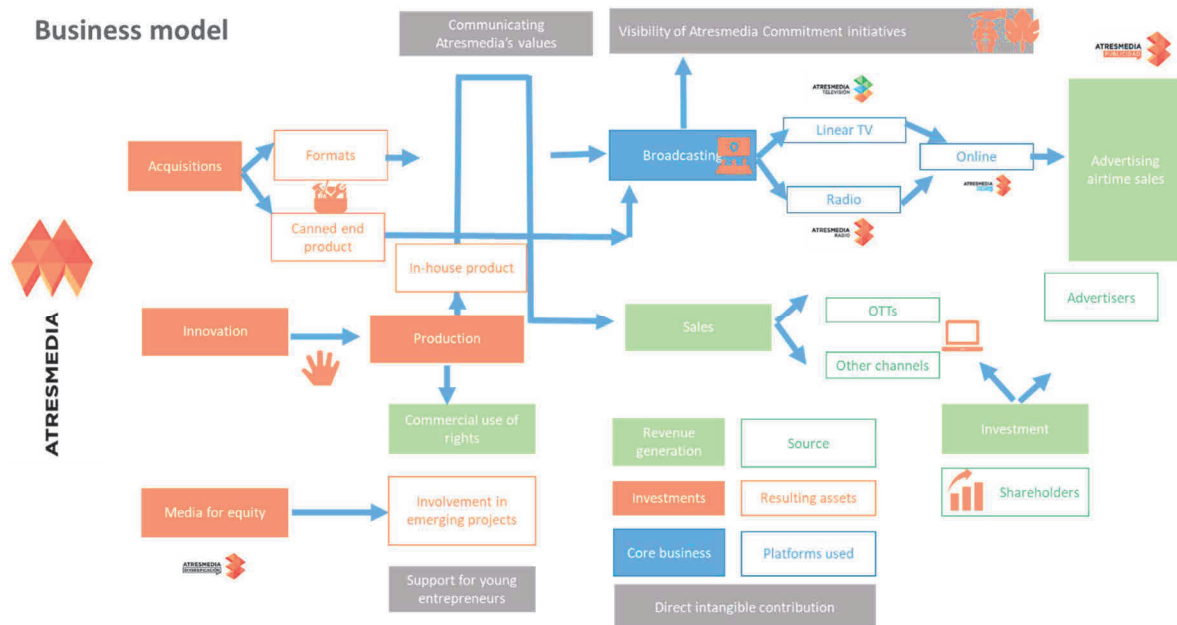
In Spain, the government is expected to present parliament with a new Audiovisual Communication Law in 2020. This main change will be equal obligations and rights between private free-to-air TV, pay-TV and newly created online operators (which include content and video sharing platforms, and social media). UTECA believes that the current legislation affords different treatment to different market players, especially regarding advertising, protection of minors, required investment in cinema and public TV funding.



## 5.4 Business model and strategy

Atresmedia, through its Television, Radio and Studios divisions, produces, broadcasts and sells meaningful content to audiences. These forms of media generate the advertising spaces then marketed by Atresmedia Publicidad among advertisers; the Group's main source of revenue. Meanwhile, Atresmedia relies on Atresmedia Diversificación to engage in businesses that are not solely reliant on conventional advertising channels. This includes the management of publishing rights and copyrights, our international business and the Group's involvement in the private equity sector.

The Group is also involved in the film industry by complying with its legal obligations under the General Audiovisual Law. Here it focuses its activity through production company Atresmedia Cine, which was integrated in Atresmedia Studios in 2019. Atresmedia ensures strict adherence with its corporate values when producing and broadcasting news, fiction and entertainment formats and here it has been outstanding in raising awareness of pressing social issues and in bringing about change under its Compromiso Atresmedia brand name, one of the Group's most valued attributes among audiences and advertisers.



### Strategic plan

In 2019, we began implementing the action plans included in the strategic plan set out in the 2018 report and that still apply to the current market paradigm.

1. **Retaining and expanding our core TV and radio business:** With technology driving convergence between the digital and traditional worlds, Atresmedia achieved the following milestones in 2019:
  - a. We began offering audiovisual products converging with traditional television to advertisers. These include addressable TV campaigns and cross-device campaigns between TV and its platforms. With these two products, Atresmedia can combine coverage and segmentation, the most sought-after attributes of the traditional and digital worlds, respectively.
  - b. We relaunched the Atresplayer Premium service with added features.



2. **Leveraging our content generation capability:** Atresmedia and Telefónica reached a strategic deal in 2019 to merge their fiction and entertainment production and distribution activities both in Spain and internationally. This partnership will become effective in 2020. The alliance makes Atresmedia Studios one of Spain's top content factories.
3. **Building a diversified and end-to-end business:** Atresmedia stepped up its international growth strategy through pay channels in 2019. We ended the year with 59 million subscribers worldwide, double the level five years ago. As for diversification, the success of the Escape Room of *La casa de papel* (*Money Heist*) showcases the synergies across all areas of the company. The event was carried out in conjunction with Fever, along with Media for Equity.

To track our progress towards this strategy, we have implemented a set of KPIs to measure each of the objectives and detect possible deviations from the plan.

KPI	2018	2019	KPI	2018	2019
Share of TV audience	26.8%	26.2%	% Own production vs. total programming (weighted by audience)	60%	62%
Share of investment	40.5%	40.7%	Average no. of unique visitors - Total Group (million) (Comscore)	18.9	24.4
Power ratio	1.52	1.55	No. of pages viewed - Total Atresplayer (PC only) (million) (Comscore)	16	13.6
Change in cost/GRP - Atresmedia (€)	878	856	No. of pages viewed - Total Group (PC only) (million) (Comscore)	45	52.6
Audience share for Atresmedia Radio - 12-month periods	16.5%	14.5%	% of international revenue	2.8%	3.1%
Atresmedia radio audience share - waves	17%	14.4%	No. of paid subscribers to Atresmedia channels (million)	56	59
Share of radio investment	17.6%	17.5%	% of non-traditional revenue	13%	18%
Revenue per listener (quarterly)	19.97	22.8	No. of M4E investees	16	15

## Atresmedia: Data-driven group

2018 marked the launch of the Big Data project and 2019 the start of the Data & Analytics area and consolidation of this service, making Atresmedia a data-driven group. In other words, it bases tactical and strategic decisions on the data generated by its operations. Atresmedia fully unlocks the value of the security infrastructure and systems already in place, becoming a benchmark in the responsible use of information to provide a better experience for our users and advertisers. As a cross-cutting function, Data & Analytics will offer solutions and improvements across all areas of the company and generate new decision-making support models at both user (audience) and client (advertiser) level. The main developments in the year were as follows:

**Content recommender for Atresplayer**, which aims to increase user engagement by suggesting personalised content based on the viewing history of each viewer. This improvement was also applied to our advertising management models, with affinity segments created among audiences based on the programmes they view in Atresplayer, thus making our campaigns more effective.

- **Optimising digital analytics:** the Company has devised new metrics and analytical approaches focused on the user and based on new working methodologies. This ongoing project will culminate in 2020 with the implementation of new tools and approaches, giving rise to a new analytical ecosystem that is more modular, scalable, flexible and autonomous. To this end, training sessions will be arranged with all areas and departments.
- **Custom digital advertising:** bespoke advertising within the Group's digital environments, showing spots that are fully aligned with the current tastes and needs of users.

### 5.4.1 Business lines

#### Atresmedia Televisión: relevance and leadership in news, entertainment and fiction

Atresmedia Televisión aims to provide a diverse, innovative and high-quality range of news and entertainment content which, by becoming our viewers' first choice, will offer the value that advertisers are after.

The Television Division brings in 87% of the Group's advertising revenue and features six channels: Antena 3 and laSexta (general interest) and Neox (young audiences), Nova (women), Mega (men) and Atreseries (fiction series). When designing its programming schedule, Atresmedia is guided by quality, innovation, plurality and diversity while allowing itself to be steered by the following premises:

- Creating diverse and quality content that matters to society
- Protecting more vulnerable audiences, especially children
- Making audiovisual content more accessible
- Playing a valuable role in improving media literacy

In 2019, Atresmedia Television achieved a total screen share of 26.2% and cemented its status as the most diverse, far-reaching and informative media group, outperforming its peers when it comes to fiction, entertainment and current affairs. Some 21.5 million different people tuned in to Atresmedia Television, making it the media group to have reached out to the largest number of people each day.

<b>Antena 3</b>	11.7%	The channel that pulls in the largest number of viewers each day
<b>laSexta</b>	7%	Ended the year with its best results since 2016
<b>Neox</b>	2.4%	The most viewed special-interest channel for advertising target audiences and young audiences
<b>Nova</b>	2.2%	Remained the leading women's special-interest channel for the second straight year
<b>Mega</b>	1.5%	Flagship channel among male audiences
<b>Atreseries</b>	1.4%	Remained the leader for new special-interest shows

Key milestones at Atresmedia Televisión to have generated these impressive results include:

- For the second year in a row, Antena 3 broadcast the most viewed news programmes on TV, with a 15.1% market share; its best result since 2009.
- The simultaneous broadcast on Antena 3 and laSexta of the debate between presidential candidates on 23 April attracted nearly 9.5 million viewers (48.7%), making it the most viewed non-sporting broadcast since 2016.
- Season one of *La Voz (The Voice)* was the most followed TV entertainment show of the last six years, with almost four million followers.
- As a leader in fiction, Antena 3 broadcast the most viewed series of the year, with the première of *Matadero* drawing in some 3.3 million viewers (21.6%).

In the digital arena, Atresmedia ended 2019 as the leading online audiovisual group, exceeding 26 million unique visitors in December and growing by 22% compared to December 2018, according to figures released by Comscore. It also continued to occupy its highest position on the Top 10 of the most visited sites, standing in sixth place at the end of the year. The Antena 3 website was the most watched television portal, with 11.7 million unique users.

The launch of the new Atresplayer Premium service was a further highlight in the digital realm. With its OTT platform now stronger than ever, Atresmedia Televisión became the first group in the Spanish market to offer exclusive own-production content plus international fiction, in addition to programming one week prior to its release on normal television.

## Atresmedia Radio: credibility, plurality, proximity and a wide choice of content

The vision pursued by Atresmedia Radio and its brands (Onda Cero, Europa FM and Melodía FM) is to broadcast a wide range of content that will earn them recognition as the benchmarks for credibility, viewpoint diversity, entertainment and closeness to the expectations and concerns of the public.

A total of 3.5 million people tuned in to Atresmedia's radio stations every day. By channel, Onda Cero ended 2019 with almost two million daily listeners, making it the only large channel to have grown for two straight years and giving it its best results since 2015. Meanwhile, some 1,500,000 listeners tuned in each day to Europa FM and Melodía FM; the two music stations of Atresmedia Radio.

Atresmedia Radio has three different stations:

- **Onda Cero:** general-interest station aimed at urban-living men and women aged 30 to 65. Its wide variety of content makes it a chain with enormous social versatility, making it a popular choice among active people who are concerned about what goes on around them, who like to keep up-to-date with current affairs and who also seek plurality and diversity of opinion.
- **Europa FM:** a music radio station for young men and women aged between 20 and 35 and with an urban profile. It is also popular among millennials interested in current affairs.
- **Melodía FM:** Atresmedia's musical radio station for more mature men and women aged between 38 and 50, who are urban and consumers, optimistic and who like to feel good about themselves and others.

Atresmedia Radio pursues the following principles:

- Innovating to offer our listeners fresh and attractive programming
- Assuring independence, viewpoint diversity and credibility
- Preserving the best of conventional radio: closeness to the audience and engagement
- Adapting to the new features of the radio medium in the 21st century
- Supporting the community commitments acquired by the Group

Credibility, plurality, diversity and proximity are what make it the most trusted generalist radio station, thanks to programmes such as *Más de uno* (Carlos Alsina), *Julia en la onda* (Julia Otero), *La compújula* (Juan Ramón Lucas), *Por fin no es lunes* (Jaime Cantizano), *El transistor* (José Ramón de la Morena), *Radioestadio* (Antonio Esteva and Javier Ruiz Taboada), *No son horas* (José Luis Salas), *Noticias mediodía* (Elena Gijón), *Noticias fin de semana* (Juan Diego Guerrero) and *Gente viajera* (Esther Eiros).

In the realm of music radio, the finest entertainment and the most varied mix of music led to nearly one and a half million listeners tuning in each day to Europe FM and Melody FM in 2019.

One of the main milestones at Onda Cero in 2019 was the arrival of Antonio Esteva as co-director and co-host, alongside Javier Ruiz Taboada, of *Radioestadio*, the sports programme for weekend sports and major sporting events. Meanwhile, *La cultureta*, helmed by Rubén Amón, made a return to Friday nights, and *Más de uno*, by Carlos Alsina, was aired on Friday mornings. In the early hours of the weekend, Onda Cero premièred science and culture outreach programme *De cero al infinito*, hosted by Paco de León.

The special-interest programmes directed and hosted by Carlos Alsina proved hugely popular in 2019, earning him, among other awards, the Ondas Nacional de Radio Award for best special-interest programme.

Atresmedia Radio also added comedy show *No te pierdes nada* to the programmes aired on Europa FM; the most successful branded content show on Spanish radio. It also reinforced its commitment to electronic music by welcoming Martin Garrix, one of the world's leading DJs.

In the digital environment, Atresmedia Radio continued to improve the quality of its live and on-demand audio and video service, while growing its presence in mobile voice assistants and smart speakers. Meanwhile, new native podcast formats were launched in a bid to expand the variety of content, notably *Onda Ruedo* (bullfighting programme), *Kinótico* (current film news); *Toma la pastilla roja* (future and science fiction), *2100, una odisea en la tierra* (environment and future), *El parte del Borrascas* (weather service), and *Rozando el desvío* (interviews).

### Atresmedia Publicidad: committed to innovation and advertisers

Atresmedia Publicidad aims to provide a safe, controlled and low-risk environment for its advertising partners, in which they can launch their campaigns by relying on an innovative and highly effective service that is peerless in quality.

Atresmedia Publicidad is the marketing arm of the Group's advertising spaces, the main source of revenue (75.2%) for Atresmedia.

Committed to the values of the Group, quality, variety and ethical limits, and following a brand-centric strategy, Atresmedia Publicidad adapted its commercial offer in 2019 to generate added flexibility, segmentation, quality, creativity, investigation and ultimately better service to its customers. This new strategy is embodied in the NEXTV (New Extended TV) brand, which is Atresmedia Publicidad's response to the changing landscape and future outlook for the sector, as it breaks down the wall between television and digital content and opens up the concept of a global audiovisual market. The new strategy is predicated largely on improving segmentation by offering hybrid products such as CrossDevice and Digital Skin.

For a further year, research, innovation, efficiency and profitability were the mainstays of Atresmedia Publicidad.

1. **Research.** The launch of VAR (Video Advertising Research) in 2019 was the Group's response to market demand for a cross-media measurement tool capable of evaluating the global results of television and online video campaigns.
2. **Innovation.** Atresmedia Publicidad successfully launched its first Digital Skin campaign, a targeted and personalised advertising format developed under HbbTV technology. It also teamed up with Smartclip to launch CrossDevice Advertising, a one-of-a-kind multi-device advertising product in Spain that offers added efficiency for campaigns combining linear television and digital environments.

3. **Effectiveness.** Atresmedia Publicidad remained committed to offering the best service to advertisers and researching and improving its knowledge of advertising effectiveness. It conducted various studies in 2019 into the effectiveness, in terms of notoriety, of different structures and lengths of advertising blocks (working alongside The Cocktail Analysis) and to gain further insight into Smart TV users (alongside TOLUNA).
4. **Profitability.** This was one of the main drivers of the Atresmedia Group throughout 2019. The company's excellent performance was down to the synergies existing between the various types of media marketed by Atresmedia Publicidad. Almost half of the total investment in advertising reported by Atresmedia's TV channels was generated from tri-media advertisers, i.e. clients who rely on all of Atresmedia's media channels (43.9%). This 'multimedia' advertisers segment also accounted for 43.3% of the Group's total online advertising revenue, and 50.4% of its revenue from radio advertising. For television, the weighting stood at 43.5% of the total.

### Atresmedia Studios: content at the heart of the business

Founded in 2018, Atresmedia Studios aims to design, create and produce exclusive content for television channels and for the main domestic and international content distribution platforms.

The decision to set up Atresmedia Studios responded to the Group's strategy of leveraging its experience in generating successful audiovisual brands in terms of audience numbers and sales. Atresmedia Studios continued to cement its status as one of the companies with the greatest potential within the Spanish audiovisual sector in 2019. The strategic alliance forged between Atresmedia and Telefónica during the year effectively turned Atresmedia Studios into one of the largest content producers in Spain. Its business is split into three key areas: production of fiction series, production of entertainment shows and documentaries, and film.

#### 1. Fiction series

Notable projects in 2019 included the start of filming of *La Templanza*, which will premier in 2020 exclusively on Amazon Prime Video in over 200 countries. Atresmedia Studios also reached an exclusive deal with Suma Latina, the production company of Javier Ambrosi and Javier Calvo, for the joint production of fiction and entertainment content for third parties or for Atresmedia's own channels and platforms. As part of this agreement, shooting began on *Veneno*, which will be released in 2020 on Atresplayer Premium. Further highlights in 2019 included the start of production on the second season of *Pequeñas Coincidencias*, which will be released in 2020 on Amazon Prime; pre-production of the reboot of the series *El Internado* and production of the series *Mentiras*, an adaptation of the British series *Liar* owned by ITV.

#### 2. Entertainment programmes and documentaries.

Notable projects produced in 2019 include reality show *Road Trip*, produced with Warner Media, the agreement with ITV Studios to develop the entertainment show *Trust Me I'm A Six-Year-old* and the *Auténticos* programme for La Sexta. Moving to documentaries, in 2019 Atresmedia Studios announced the production of *Fernando Torres: El Último Símbolo*, to be released on Amazon Prime Video in 2020. Atresmedia Studios also continued with the production of its matinee program *A esta hora* for Canal Extremadura, which ranks among the top five regional television programmes.

### 3. Film

In March 2019, Atresmedia Cine merged with Atresmedia Studios, thus enhancing its status as a global factory for the creation and broadcast of audiovisual fiction and entertainment content. The company aimed to replicate past successes by producing a total of 10 films in 2019, the largest number of releases among all production companies operating in Spain, with total box office takings amounting to EUR 29 million. Atresmedia Cine generated 33.6% of total box office takings in 2019, largely due to the success of *Padre no hay más que uno* and accounted for 34.3% of cinema audiences (5,114,267 cinema goers) to have seen one or more Spanish films in 2019.

Aside from the company's success in terms of spectators and box office takings, Atresmedia films gained more and more exposure at prestigious film festivals and international award ceremonies. In 2019, Atresmedia Cine's productions won a total of 10 Goya awards —seven of which went to the film *El Reino*, making it the most awarded film at the 33rd edition of the event, and three for *La Sombra de la Ley*— and were nominated for a number of prestigious awards, including the Premios Feroz and Premios Forqué. Another highlight was the production of animated film *Klaus*, which premiered in cinemas in November 2019 and won a BAFTA for best animated film and no less than seven Annie Awards. *Klaus* was nominated for an Oscar in the category of best animated feature film.

#### Atresmedia Diversificación: committed to the most innovative projects

The vision of Atresmedia's Diversification unit is to take forward projects and develop new lines of business based on models that are not directly reliant on revenue from the conventional advertising market in Spain.

The main objective of this division is to flag and commit to innovative projects that have high potential and are likely to generate a significant impact on the Group's results.

Atresmedia Diversificación is split into four main areas:

1. **International**, whose channels reach out to 59 million households worldwide, most of which are concentrated in the Spanish-speaking countries of Latin America and the United States. In 2019, the Atrescine channel saw the greatest growth, while Antena 3 Internacional strengthened its position and ¡HOLA! TV and Atreseries both saw a steady increase in subscriber numbers, making them reference channels in their respective genres. One of the biggest milestones of the year was the launch of ESPAÑA TV, a package of Spanish signals viewable in Europe and that are already available from various Portuguese and French operators.
2. **New Businesses**, tasked with extending the reach and notoriety of brands and content beyond the screen. A particular highlight in 2019 was *Escape Room*, based on the worldwide hit series *La casa de papel* (*Money Heist*), which managed to attract upwards of 100,000 visitors to its Madrid and Barcelona showings. Further highlights included the agreements reached in connection with the *La Voz* brand, and the fact that the book of Karlos Arguiñano's passed one million copies sold. Meanwhile, the branded content format was promoted through various highly innovative formats, such as the *Crea Lectura* program on La Sexta or *MapaMundi*, a television format aimed at the tourism industry.



3. **Media for Equity**, which helps companies grow during ramp-up by providing advertising campaigns in exchange for a stake in the company. The highlight of 2019 was the creation of Atresmedia Capital, a company tasked solely with holding the shares and equity interests in media for equity startups. This has made Atresmedia a benchmark within the entrepreneurial and venture capital ecosystem. In 2019, the unit's investee companies obtained total financing of EUR 380 million.
4. **Publishing Musical**, which manages publishing rights and is headed by Irradia; and Atresmúsica, the Group's record label. 2019 featured international growth driven by the success of series, the international management of music rights, and the growth in users of Irradia's music library.

## 5.5 Risk prevention, control and identification

Atresmedia has a complete risk map that enables all risks to be identified, both from the surroundings, and those relating to the activity and business performed and others specific to the Company. The system covers all risks (external and inherent to the business; financial and non-financial – strategic, operational, IT, legal, social, environmental, and reputational) and the regulations applicable to each. It also establishes the controls and procedures that prevent the materialisation of these risks. All this precaution and response is set out in the Atresmedia Risk Map, the composition and operation of which are defined in detail in the ACGR. The control tools for each risk on the risk map are:

### **Code of Conduct**

**Policies, procedures and protocols**, which, together with the specific regulations affecting our business activities, make up the Regulatory Compliance Model. All are adequately notified through the corporate communication channels to the affected areas and people.

**IT control tools**, such as: GRC (Governance, Risks and Compliance) system, procurement management system, system for managing and authorising bids and quotes, system for managing and authorising programme budgets, system for managing and authorising investment proposals, quality system, IT application to monitor compliance with internal regulations on matters relating to the securities market: Insider website.

**Whistleblowing channel**: enables all employees to notify, in an easy and confidential manner, those procedures that constitute inappropriate conduct or behaviour under the Code of Conduct or any other applicable legislation, and especially those that do not comply with the external or internal regulations.

**Internal Control over Financial Reporting (ICFR) system**: control procedures related to the Internal Control over Financial Reporting (ICFR) system, with the commitment to provide reliable, complete, truthful and uniform information to investors and the market.

**Compliance Committee and Chief Compliance Officer**: bodies charged with the management, surveillance, coordination and integration of corporate policies and actions aimed at complying with all applicable legislation and regulations (both external and internal protocols and procedures), as well as supervision of compliance with the Code of Conduct.

**Internal Code of Conduct (ICC) on Matters relating to the Securities Markets.**

**Crime Prevention and Criminal Liability Model:** the Crime Prevention and Detection Protocol underwent a review in 2019, mostly to identify regulations affecting the crimes that impact the Atresmedia Group (i.e. four laws and three regulations), and review mitigation measures such as policies and procedures to identify potential needs for updating. A new assessment of risks related to the Group's compliance offences was also carried out.

Main business risks identified in 2019:

TY PE	MAIN RISK	CONTROL MECHANISMS	MITIGATION MECHANISMS
Compliance	Non-compliance with the regulatory framework	The Atresmedia Group's broadcasting and broadcasting-related processes involved have appropriate control measures to ensure that the audiovisual content aired complies with, <i>inter alia</i> , audiovisual regulations regarding time restrictions, protection of minors, content rating and the broadcast of advertising.	Atresmedia has a task force in place that assesses any changes in regulations and their impact on the Atresmedia Group's businesses.  The Group follows up on any communications received by the regulator on potential breaches and takes the necessary steps to address them. All areas involved participate, under coordination by the Institutional Relations and Legal Affairs areas.
		Moreover, through the Institutional Relations area, the Atresmedia Group plays a role in developing the audiovisual sector's regulatory framework.	
		Through Atresmedia Publicidad, the Atresmedia Group complies with all advertising legislation in terms of time restrictions and advertising content. It also abides by the industry's various self-regulation codes.	
	Criminal proceedings relating to SGAE	Atresmedia has an Anti-Crime System documented in a Crime Prevention Protocol, which set outs all the general and specific control measures for potential crimes based on an assessment of their probability and impact.	In 2017, Central Examining Court 2 of the Audiencia Nacional (National Court) made an order to enter and search the homes of several authors and other parties related to the engagement under contract for television of musical authors and works. These court proceedings at criminal law affected Atresmedia directly in the person of its musical rights management officer. In February 2020, this Court decided to investigate Atresmedia, in addition to certain other TV operators, in the same proceedings for alleged criminal activities that could include business corruption as provided for and punishable in article 286 bis of the Criminal Code. Atresmedia's legal advisors specialised in criminal law consider that no crime has been committed by any natural person, employee or manager of Atresmedia. In their opinion, the initial budget required by Article 31.bis 1 of the Criminal Code is not met, so the risk of a conviction for the Company is considered remote.
	Non-compliance with competition law	Atresmedia has control mechanisms in place for commercial policies and negotiations in advertising and content to prevent it from breaching competition law in these two markets. In 2018, Atresmedia, together with Mediaset, were involved in disciplinary proceedings for anti-trust practices, specifically, in breach of Article 1 of Spain's competition statute and Article 101 of the Treaty on the Functioning of the European Union. In November 2019, the Comisión Nacional de los Mercados y la Competencia (CNMC, Spain's competition watchdog) arrived at a decision in	Atresmedia has challenged the CNMC's ruling by filing an application for judicial review with the Administrative Chamber of the Audiencia Nacional, Spain's national court. The application has been found admissible and will proceed. Concurrently with its application for judicial review, Atresmedia sought an interim suspension of the orders to pay a fine and immediately cease the disapproved conduct. The application for an interim suspension is now being considered by the Court.

		disciplinary proceedings S/DC/0617/17 <i>Atresmedia/Mediaset</i> . Both operators, Atresmedia and Mediaset, were fined, and barred from specified courses of conduct. The CNMC will monitor the companies' future behaviour to ensure the prohibition is observed in practice.	Atresmedia Group's legal advisers believe that the application for judicial review against the CNMC's decision is likely to succeed. It is probable that the court decision will be favourable to the interests of Atresmedia. See the Annual Corporate Governance Report (section E5) for more information on this risk.
Strategic	Adverse macroeconomic environment	A general cost-containment strategy in place to keep costs at Group level from rising or to reduce them.	A general and overhead cost-cutting plan is in place for 2020 to make us more competitive if the economy has any negative impact on the advertising market.
	Concentration of revenue through advertising spend	Atresmedia, through the Diversification area, implements a series of actions to generate new revenue sources aside from advertising, such as expanding its Antena 3 Internacional, Atreseries and Atrescine (Internacional) channels abroad.	The number of subscribers to our international channels on the various pay TV platforms increased in 2019, driving up the related subscriber revenue.
		Diversification of the revenue mix through new revenue sources, creating its own record label, Atresmedia Música, to bolster its copyright management strategy	Atresmedia Musica continued to expand in 2019, reaching production of new authors and increasing its revenue.
		Atresmedia Studios is the Atresmedia Group business that creates and produces exclusive fiction and non-fiction content for new market players and new distribution and broadcasting platforms, both in Spain and abroad.	In line with its business diversification strategy, Atresmedia is assessing a joint integration project with a partner to create a joint audiovisual factory to become the leading content producer in Spain and other markets with a view to providing global content to internal pay platforms.
	Adapting the business to distribution in the digital environment	The digital area's integration in all Atresmedia Group businesses has helped to bolster all channels' digital distribution of content, thereby maximising their value.	Atresmedia has enhanced its VOD platform by acquiring original and in-house produced content for exclusive use on the Atresplayer platform.
		In its digital adaptation, Atresmedia has invested in enhancing the experience of Atresplayer users, adding new features in content viewing on the various platforms.	As it continued to adapt to the digital environment Atresmedia bolstered its payment platform, Atresplayer Premium, and stepped up its commitment to exclusive content and previews of FTA series and programmes, all ad-free. It also made several technological upgrades to enhance user experience on the platform and to add new features to put user experience on a par with other international players.
		Moreover, taking the Group's adaptation still further, in partnership with Mediaset and RTVE, we developed a platform for distributing the three TV networks' content using HbbTV technology.	Atresmedia has developed the first Addressable TV, a hybrid advertising format, for FTA television in Spain. Addressable TV is a targeted advertising format that uses the HBBTV standard to include a superimposed layer of digital information on the linear TV broadcast (on an ad or content).
		The advance of the digital era has prompted Atresmedia to step up the marketing of digital advertising by acquiring Smartclip and new IT tools.	Atresmedia, together with Smartclip technology, has developed a new cross-device advertising product, the first of its kind in Spain thanks to the European HBBTV standard and Smartclip technology, which adds efficiency to combined linear television and digital campaigns by expanding the reach of ad campaigns.
	Loss of TV audience and appeal as an advertising platform	The Atresmedia Group continues to pursue a strategy of investing in alternative content consumption to linear broadcasting. Moreover, it is committed to boosting audience and growing among younger viewers by offering more	Atresmedia is reinforcing its strategy of distribution content through all available platforms. In this vein, it made a strategic decision in 2019 to invest in more original content for

		appealing content to this public, creating original and in-house content to broaden their content offering in a bid to attract the target audience.	Atresplayer and in upgrades to the platform, driving a sharp increase the number of Atresplayer Premium subscribers.
Technological	Broadcast interruption or outages	The Atresmedia Group has protocols of action in the face of potential technical incidents and redundant systems for continuity and broadcasting that ensure continuity in broadcasts. It also has generator sets and redundant UPS security to protect against potential power outages, as well as a key business infrastructure monitoring service. The preventive and corrective maintenance service in place minimises the threat of incidents in the business.	Action and resolution protocols have been applied through corrective maintenance of the main production and broadcasting infrastructures. Where needed, upgrades have been made to prevent incidents.
	External intrusions and attacks	Atresmedia has a group-wide IT security model, with control measures in place to mitigate this risk  The Atresmedia Group also has a protection service against denial-of-service (DoS) attacks and procedures and tools to control and manage the various systems	The Systems IT Security area monitors all systems on an ongoing basis and any external attacks. There is a series of alarms and actions to take in the event of any security incident. We launched a cybersecurity project in 2019 to add improvements and new measures to prevent potential external attacks and to strengthen the overall cybersecurity model deployed in the Atresmedia Group.
Financial	Financial in the face of changes in foreign exchange rates	The Atresmedia Group enters into hedging instruments for all purchases of external production in US dollars to minimise the negative impact of changes in exchange rates.	The Finance area monitors the various hedging instruments and their effectiveness on payments made regularly, taking corrective measures where required.
	Litigation risk	The Atresmedia Group analyses all its lawsuits and the probability of lawsuits materialising, setting aside provisions where they are probable.	Legal Affairs at Atresmedia, in conjunction with any other areas involved, continuously monitors all legal proceedings and any legal responses required.

In addition to these risks, Atresmedia also addresses other non-financial risks from a social perspective. It has a public Code of Conduct and has provided appropriate training to ensure compliance with its various policies, including employee relations, working conditions, ethics in journalism, social impact as a media, corporate governance and conflicts of interest. The Atresmedia Code of Conduct establishes the Whistleblowing Channel to help detect conduct or behaviour that breaches Atresmedia's rules in all the areas they regulate.

Atresmedia's risk assessment and management system covers all risks related to compliance with applicable regulations. Atresmedia also has a crime prevention system to mitigate conduct that could entail committing any crime set out in Spain's Criminal Code attributable to a legal person. These include corruption, influence peddling, environmental crimes, and intellectual property infringement. All controls to prevent and detect crimes are set out in a Crime Prevention Protocol, which is updated regularly.

Atresmedia holds several TV and radio licenses. As such, it must comply with the General Audiovisual Communication Act (*Ley General de Comunicación Audiovisual*). Its risk management and control system includes several measures to prevent non-compliance with various aspects of this law affecting the protection of minors (content rating and air time), the content and volume of advertising messages (restrictions on minutes and types of messages), obligations to adapt content to people with disabilities (subtitling and closed captioning), the obligation to invest in films and series, and other areas related to its operations as a media.

Lastly, Atresmedia has not identified any material environmental risks, since it does not carry out any activity or operation that poses a significant threat to the environment. Even so, it has control measures in place to ensure its infrastructures and facilities are maintained adequately so as to minimise potential accidents that could cause social alarm or accidents to staff or partners.

Section 6 - Atresmedia's impact on the environment addresses these employee-related, social and environmental issues. Moreover, the Corporate Responsibility Master Plan calls for a more in-depth assessment of short-, medium- and long-term non-financial risks, and the design of mitigation plans for each over the coming years.

### **Cybersecurity and responsible data management**

What we mean with cybersecurity is essentially the set of measures that I3Television (Atresmedia Group company dedicated to IT) implements in order to guarantee the availability, integrity and confidentiality of the data by using all the IT tools and services needed to ensure effective protection against the different types of threats. For a company such as Atresmedia, it is absolutely essential to have uninterrupted information systems with no downtime since its business activities continue 24 hours a day across all Group locations and business areas. With this in mind, it is extremely important to detect, manage and minimise possible security events.

The cybersecurity model includes procedures, controls and technical audits to measure, respectively, the overall security of the system and the effectiveness of the measures and action plans put in place. It also allows us to model and implement action plans to mitigate risks in response to real threats to the business and to obtain a clearer picture of our security systems.

Technological risks are the main sources of cyberrisk for Atresmedia, with potential implications for reputational or operational risks. Strategically, Atresmedia's cybersecurity practice is characterised as being vigilant, proactively managed and resilient, adding value at all levels (customers, employees, shareholders and even brand reputation).

Atresmedia's cybersecurity strategy considers current circumstances, mainly affected by its surroundings, business model, applicable regulations, technological developments, the existence of remote offices, convergence and its vast web presence. There are also four support functions that reinforce and help ensure effective compliance with the cybersecurity strategy: the technical security office, continuous monitoring of infrastructure, the analysis and management of vulnerabilities, and the security operations centre.

### **Data protection**

Compliance with personal data protection regulations is an ongoing process entailing constant review of processes and procedures already in place, and new services being developed, so that they comply with the privacy by design principle. Atresmedia made inroads in 2019 on developing and implementing the policies, procedures and tools outlined in the project to adapt to the General Data Protection Regulation drawn up in 2018 for Atresmedia Group companies to ensure compliance with regulatory requirements regarding personal data protection, and adapting them to regulations approved after the General Data Protection Regulation, e.g. the new Organic Law 3/2018, of 5 December, on the protection of personal data and the guarantee of digital rights.

By constantly improving and adapting, we strengthened controls over suppliers who process personal data in 2019 via specific questionnaires to assess their level of compliance, and we made progress on implementing control systems for doing business with these suppliers.

The Privacy Committee, set up in 2018, held regular meetings in 2019 to address key issues regarding data protection and monitor compliance by the various business areas. In employee training, we carried out privacy and data protection awareness initiatives in 2019 for all Atresmedia Group staff and drew up specific training actions for certain areas that will be rolled out in early 2020.

Concerning rights of data subjects, 146 requests were received in 2019 to exercise data protection rights. They were handled through the data protection officer's e-mail account and entailed mostly requests for erasure of personal data, requests to access the data subject's personal data, and requests to unsubscribe from digital services.

### Management quality

One of Atresmedia's priority goals is to achieve the highest standards of quality in every show and every advertisement it broadcasts, and in its management processes. To deliver these goals, Atresmedia has a **Quality Management System** for recording, controlling and monitoring incidents whether or not they affect the broadcasting of our content on the various media. It also aims to identify possible areas of improvement to the organisation's key processes for eliminating and/or minimising any incidents that impact viewers/users.

The Internal Audit and Process Control Division is responsible for coordinating this system. There is also a Quality Committee comprising the most heavily involved departments, which meets whenever necessary to review the system and to implement action plans and improvements.

Audience perception research showed again this year that Antena 3 is the highest-rated general-interest channel. It is perceived as the most diverse channel and the one most concerned with creating quality content.

The system is supported by a corporate app that identifies, classifies and categorises all incidents, whether or not they affect broadcasting. We also have in place a monthly communication and reporting system that informs management of the Group and of the business units about the source of quality defects, the description and classification of each incident, and all steps taken to correct it.



The system follows these steps:



The effectiveness of this Quality Management System and the improvement plans rolled out over the years since this system was made part of television broadcasting have notably reduced the number of incidents arising in the course of content production, recording and broadcasting. The average number of incidents was down 21% in 2019.

Main milestones in the Television Quality Management System in 2019:

- Improvement in the transcoding service for processing and converting video and audio file formats to ensure continuity of operations;
- Addition of new equipment and software to increase automation in control over camera movements in the production of daily programmes and streamline production costs;
- Implementation of improvements and new features in the programming and broadcasting system to manage promotional elements and all accessibility, subtitling, closed captioning, self-description and signing processes;
- Improvements in the continuity system by gradually adding new validation and alarm systems for greater broadcasting control.

On the digital front, the Atresmedia Group stepped up its commitment to pay TV in 2019 with the relaunch of the OTT Atresplayer Premium service. New features of this platform include:

- Access to exclusive and original content
- Previews of TV content before they are aired
- Ad-free
- No minimum contract period
- Access to the full catalogue of Atresmedia series and programmes
- Downloads for offline viewing
- Access to content from the past 7 days



The structure was also revamped, focusing more on the customer service strategy for personalized service by: offering a new service based on levels; and providing solutions to incidents (technical, content-related or other) and reporting them using the various communication channels. After implementing the strategic changes, priority was given to improving incident management and resolution. Incidents are no longer monitored through the same model, but rather through a specific model for this channel, so all user and subscriber incidents can be monitored and resolved faster and in a more personalised way.

## 5.6 Compliance

One of the main control tools within Atresmedia's GRC risk management system is the Compliance and Crime Prevention Model. The model must:

- ensure compliance with all sector-specific regulations (i.e. those affecting the sectors in which it operates) and general regulations (as a listed company or those affecting any company, e.g. labour, tax, environmental); and all Atresmedia's internal rules and protocols;
- ensure compliance with the preventive requirements introduced by the reform of the Spanish Criminal Code as to the criminal liability of corporations;
- set out procedures and approaches to prevent any offence contrary to the Criminal Code; and
- if a criminal offence were in the event committed, ensure that criminal liability does not attach to the corporation, or that such liability be attenuated by reason of appropriate control measures having been adopted.

Atresmedia's compliance function is the set of rules, standards, procedures, IT tools and other technical and human resources the common purpose of which is that the Atresmedia Group's activities at all times comply with the law and remain consistent with the ethical principles that the Group itself has put in place to guide its business as a media group and as an enterprise.

The Compliance and Crime Prevention System has the following dimensions:

Law and regulations applicable to Atresmedia	Compliance risks	Compliance risk controls
Laws and regulations applicable to Atresmedia, both specifically to the sectors in which it operates and generally to all companies; and all internal regulations set out in policies, protocols and procedures.	The GRC system identifies and assesses compliance risks in connection with all laws and regulations applicable to Atresmedia.	A range of specific controls are in place to mitigate identified compliance risks, in addition to general controls also to mitigate potential risks arising from failure to comply with regulations applicable to Atresmedia. Via the GRC system, the designated officer assesses the controls regularly to mitigate the related risks.

## Crime Prevention and Detection Protocol

As established and described in the Atresmedia Group's Crime Prevention and Detection Policy, Atresmedia has implemented the following controls in a bid to prevent and detect the risk of corruption and bribery:

1. **Payment control procedure:** describes all steps in managing payment collection by companies handled by the Accounting and Treasury department, the controls in place and the separation of duties.
2. **Billing and collection control procedure:** describes all steps in managing payment collection by companies handled by the Treasury and Accounting department, and the controls in place and necessary separation of duties to prevent any related risks.
3. **Expense and per diem procedure:** establishes the procedure for requesting, authorising and settling expenses of any Atresmedia Group employee to prevent the risks related to these activities.
4. **Related-party transactions protocol:** establishes the Board of Director's non-delegable power for approving, based on an Audit and Control Committee report, transactions between the Company or Group companies and directors. This also extends to transactions with significant shareholders or shareholders represented on the Board of Directors. It also establishes the controls in place to prevent risks from related party transactions.
5. **Procurement procedure:** the task of managing the procurement of the goods and services needed for the Atresmedia Group to carry on its business is centralised at the Procurement unit (Finance department), which provides service to all Group companies. The procurement procedure ensures transparency of the process, the separation of duties and the optimisation of Group purchases.
6. **Gift giving and acceptance protocol:** governs the procedure and rules that must be followed regarding the acceptance of third-party gifts, presents or invitations by Atresmedia Group employees, and the giving of gifts, presents or invitations by Atresmedia employees to third parties.
7. **Powers of attorney and use of electronic certificates protocol:** defines the procedure for managing powers of attorney internally, and securing and authorising the use of electronic certificates in the Atresmedia Group to prevent risks arising from these processes.

The Code of Conduct includes a specific section on anti-money laundering. Atresmedia employees have the obligation to follow up cases where there may be indications of a lack of integrity in this area. Specifically, it states that "Atresmedia employees must pay special attention to cash payments that appear unusual due to the nature of the transaction" and to other types of payments. Employees can report these situations through the existing channels outlined in the Code of Conduct.

Fundación Atresmedia, as an obliged entity under Law 10/2010, of 28 April, has specific controls in place in this respect, such as the Anti-Money Laundering and Counter Terrorist Financing Protocol, and rules of good governance to ensure transparency and efficiency in carrying out its operations, following ethical principles that guide the conduct of all members of the organisation.

The Criminal Compliance Risk Management System was reviewed and updated in 2019. Risks of non-compliance for any criminal offences to which Atresmedia may be exposed were reassessed. Based on the criminal risk map and the assessment criteria followed in the 2015 Crime Prevention Model, the criteria for weighting the probability variables and their assigned value were reassessed, along with their impact and assigned values.

### Compliance with tax obligations

The Atresmedia Group obtained profit before tax in 2019 of EUR 156.8 million (+0.18% from 2018), broken down by country as follows:

PBT (€)	Spain	Brazil	Mexico	Colombia	Peru	Argentina	Chile
<b>2018</b>	156,125,932	521,926	135,066	-248,213	-22,867	-30,287	-
<b>2019</b>	156,985,857	-214,091	475,870	-225,957	26,082	-189,030	12,348
<b>Annual change (%)</b>	0.55%	-141.02	252.32	-8.97	14.06	524.13	-

Atresmedia complied with the tax obligations required of any listed company in 2019. It also complied with the legal obligation imposed on commercial television networks by the Audiovisual Act of earmarking part of its revenue for Spanish cinema production.

In line with this obligation regarding investment in audiovisual works, the main impact of this imposition on Atresmedia's earnings is the deduction for cinema and audiovisual production. In 2019, the Group generated tax credits for audiovisual and film production of EUR 10,388 thousand (2018: EUR 12,426 thousand).

Nevertheless, given the limits on using these credits in the Corporate Income Tax (CIT) law, in 2019 it applied a total of EUR 8,762 thousand (2018: EUR 10,132 thousand).

The main figures for taxes paid and credits obtained are:

Thousands of euros	Income tax	RTVE royalty	Total
<b>2018</b>	19,258	24,039	<b>43,297</b>
<b>2019</b>	24,003	22,842	<b>46,845</b>
<b>Annual change (%)</b>	24.64	-4.98	<b>8.19</b>
<b>Credits applied and government assistance received</b>			
Thousands of euros	Tax credits	Government assistance	Total
<b>2019</b>	10,388	3,531	<b>13,919</b>
<b>2018</b>	10,132	173	<b>10,305</b>
<b>Annual change (%)</b>	2.53	1,941.04	<b>35.07</b>

Income tax amounts paid are calculated by applying the general 25% tax rate to the accounting profit of each Group company, corrected for the tax adjustments provided for in the law and adjustments arising from filing consolidated tax statements.

Atresmedia Corporación is required to contribute to state-owned corporation RTVE an amount equal to 3% of its gross operating income obtained from the provision of audiovisual communication services.

In the area of government assistance, in addition to the deductions to which it is entitled for film and audiovisual production, the Atresmedia Group also has the right to receive ICAA (Spanish Institute of Cinematography and Audiovisual Arts) grants for Spanish film productions.

## 6. Atresmedia's impact on the environment

Atresmedia has identified the following stakeholders with whom it interacts in the course of its business: advertisers, audiences, shareholders, investors, employees, suppliers (distributors, production firms and service providers), regulators and wider society.

To gauge the demands and expectations of all its stakeholders, Atresmedia has set up an email account to receive feedback and comments on its content, advertising and technical incidents, as well as requests for information and suggestions for collaboration on a variety of fronts. In 2019, this mailbox received 211 mails (2018: 197), of which 44% were suggestions. Other specific communication tools for stakeholders include the shareholder, investor and advertiser offices.

For shareholders, Law 11/2018, of 28 December, included a new section to guarantee equal treatment and access to information for shareholders of listed companies with disabilities or elderly people with less access to internet. As a result, Atresmedia launched a new way of communicating with shareholders in 2019 for the Annual General Meeting. A 24-hour phone line was set up as of the call of the meeting to handle FAQs of shareholders and make sure they had the relevant information to exercise their voting rights. We went to great lengths to make the documents related to exercising shareholder rights available on the web for the visually impaired.

The Investor Relations team held 215 face-to-face meetings and 255 calls with investors in 2019.

Atresmedia provides information on corporate governance to shareholders and other stakeholders on its website: [www.atresmediacorporacion.com](http://www.atresmediacorporacion.com)<sup>4</sup>. A specific section "Shareholders and Investors" provides full information on good governance and the related KPIs, and information on general meetings.

<sup>4</sup> This website can also be accessed indirectly through the television content websites [www.antena3.com](http://www.antena3.com) and [www.lasexta.com](http://www.lasexta.com) or the portal [www.atresmedia.com](http://www.atresmedia.com).

Tours of our facilities are another tool that the Group offers to universities, educational centres, advertisers and other stakeholders in order to bring the Company's activities closer to society and to enable it to fulfil its role in improving media literacy. In 2019, we arranged 91 tours (2018: 119) for a total of 1,704 visitors (2018: 2,311). We offered direct support through the switchboard, which received 34,837 calls in 2019 (2018: 34,547), helping to resolve issues and redirecting callers to the relevant areas and departments of the Group.

These channels are rounded off with proactive social media management. Atresmedia has 255 social media profiles (2018: 251) for channels, platforms, series, programmes and other corporate actions, through which it communicates with 55 million users (2018: 51 million) and has ongoing dialogue.

Supporting Atresmedia's digital strategy are a phone line and online form for Atresplayer users to request information, file complaints or make suggestions. Atresmedia received 34,821 communications regarding its OTT platform via these two channels in 2019. Lastly, Atresmedia has its [atreseries.com/opina](https://atreseries.com/opina) site, where viewers and users can submit suggestions, queries, concerns, doubts; etc. in relation to the AtrSeries channel.

## 6.1 On customers and users: advertisers and audience

Atresmedia's business model differentiates between two figures among users of its services whose needs and concerns must be considered specifically and together.

- **Advertisers:** the Group's main customers, since there is a contractual relationship governing the purchase and sale of advertising space for hosting their campaigns.
- **Audience:** the main users of the Group's products, i.e. news and entertainment content.

Atresmedia strives to offer its audience quality, diverse and accessible content marked by its corporate values of respect and contribution to society. We are also committed to offering effective and innovative advertising, with a safe, controlled and low-risk environment for their campaigns. The General CR Policy and the Responsible Advertising Policy guide the Group's relationships with its audiences and advertisers.

Atresmedia Television conducts continuous research and monitors audience data daily to build a programming that best reflects audience demands. It conducted 50 focus groups in 2019, gathering the opinions and assessments of around 400 people to gain more insight into their demands. By always listening, Atresmedia can make its television offering close to and useful for society, watching closely the new platforms that are being used for audiovisual consumption.

According to the latest television image study conducted by Personality Media on more than 18,000 people, Atresmedia TV is the audiovisual group with the highest quality, strongest credibility and has the most entertaining and preferred networks of those polled thanks to its main channels, Antena 3 and laSexta.

In news programmes, Atresmedia Televisión, Antena 3 Noticias and laSexta Noticias top the quality ranking.

Atresmedia Publicidad (see Atresmedia Publicidad: committed to innovation and advertisers) strives to offer advertisers, agencies and media centres an innovative service with a revamped commercial and multimedia offering that meets their needs and enables them to reach their target audiences through all the Group's media. To do so, it conducts exhaustive research to enhance traditional products and to offer new creative advertising formulas and formats that are highly innovative and effective.

### 6.1.1 Audience protection mechanisms

In its section on responsible and accessible content production and broadcasting, the General CR Policy ensures protection of and advocacy for human rights, and specifically the freedom of speech, diversity of viewpoints, non-discriminatory content and the protection of minors.

The Responsible Advertising Policy was reviewed in 2019 to reinforce the idea of safe environment for audiences and advertisers. Atresmedia Publicidad is committed to offering advertising that is suitable for all viewers and that guarantees brand safety, with a special focus on the digital environment, so that it offers responsible advertising.

Thanks to this commitment to protect audience, advertisers not only choose Atresmedia's advertising space because of its commercial value, but also because many of them view Atresmedia as a strategic partner for launching social awareness campaigns. Notable names here include the AXA Foundation, linked to the *PONLE FRENO* road safety and *Constantes y Vitales* medical research campaigns, Fundación Mutua Madrileña, our partner on the *Tolerancia Cero* campaign against gender-based violence, and Banco Santander, which became a partner to *Levanta La Cabeza* for responsible use of technology.

#### Ethics and deontology

To ensure its values are applied throughout the content creation process and that its content meets standards of quality and responsibility, Atresmedia has a sound ethics management system based on the following tools: Content Committee, a corporate Code of Conduct, a General CR Policy and a Code of Ethics for its news services.

The Group has two editorial committees charged with overseeing the independence and plurality of its professionals, and the rigour, objectivity and truthfulness in the performance of their work in creating and selecting content for the Group's channels and protecting audiences. The editorial committees meet weekly and monthly.

<b>Weekly editorial committee</b>	Scrutinises the content shown on all channels, paying special attention to the independence of the professionals involved and ensuring that all viewpoints and ideas are heard.
<b>Monthly editorial committee</b>	Reaches decisions on the principles and approaches followed by all Atresmedia channels, relying on the comments raised by the weekly committee.

For their part, the codes of ethics set out the principles and standards that shape the rules of conduct for news and current affairs programming on the Group's television channels.

The Antena 3 news and current affairs units are subject to the requirement that they offer reliable, quality reporting that is compliant with the following principles:

1. No conduct or information may violate the principles enshrined in the Spanish Constitution or breach any law or regulation
2. The language we use must respect and reflect Spain's linguistic diversity
3. Respecting the dignity of people in all the information we provide
4. Upholding the right to a private and family life
5. Upholding the rights of people whose circumstances place them in a position of weakness or make them vulnerable to discrimination
6. Ensuring strict compliance with the watersheds in place
7. Respecting all people, regardless of race, religion, moral conviction, social origin, sexuality or any other matter relating to their beliefs
8. Voicing the concerns of national and international organisations and groups that fight to protect underprivileged people and combat inequality and injustice
9. Avoiding any conflict of interest between the professionals involved in news programmes
10. Clearing and explicitly separating information and news telling from advertising. Also drawing a clear and unequivocal distinction between news telling and information that involves any kind of interpretation or critical discussion of current events
11. Complying and upholding the legal principle of the presumption of innocence
12. Taking extreme care when the news or information involves children and respecting all the principles and criteria governing the right to privacy and the protection of children

The Code of Ethics of laSexta Noticias ensures accurate and diverse reporting that is committed to the following principles:

1. Respecting the Spanish Constitution and the Universal Declaration of Human Rights of the United Nations.
2. Voicing the concerns of national and international organisations and groups that fight to protect underprivileged people and combat inequality and injustice.
3. Avoiding rude or coarse expressions, which may only be used when they add useful information or help understand the news. If included, they may only be uttered by the subjects themselves and not by the news presenters or editors.
4. Warning audiences before violent images are shown, which may only be displayed when they add relevant information.
5. Verifying all new stories broadcast by *laSexta Noticias* and reflecting both sides.
6. Presuming all people to be innocent until proven otherwise by a court of law. For court cases, the information will indicate the situation of the defendant.
7. Respecting people's private life.
8. Mentioning any media or press source from which exclusive information has been obtained.

Atresmedia also has a [Code of Conduct](#) that sets out general guidelines of action to be followed by Atresmedia employees and partners and any person providing services at the Company, in connection with basic principles of conduct, relations among employees, and internal control systems.



## Child protection

The review of Atresmedia's General Corporate Responsibility Policy in 2019 resulted in certain amendments, including reinforcement of the Company's protection of minors in three key areas: television content, commercial communications and labour rights.

1. **Television content.** Atresmedia Televisión ensure that minors are protected in the television content it broadcasts. It has been a signatory to the Code for the Self-Regulation of Child-Oriented Television Content since 2005, voluntarily applying all its principles. Atresmedia also sits on the code's Joint Monitoring Committee, which sees to it that the code is duly followed. The Self-Regulation Committee and the Joint Monitoring Committee analyse the reports of breaches of the code they receive every four months. In 2019, a total of 55 complaints were received (2018: 64, a decrease of 14%) against signatories of the code, considering a single broadcast by Atresmedia as unsuitable (none in 2018).
2. **Commercial communications.** As outlined in its General Corporate Responsibility Policy, Atresmedia is committed to *"firmly rejecting advertising campaigns that harm minors or any minority group requiring special attention"* and also monitors *"especially that advertising products positioned in content targeting children are suitable for this audience"*.

Atresmedia Publicidad aims to offer advertising that is suitable for all ages, focusing in particular on younger audiences through the following mechanisms:

- § Independent marketing of time slots whose programmes are intended for children;
- § Extension of the special watershed on Neox, a channel that shows Neox Kidz children's programmes;
- § A multi-platform environment for the specialist children's channel Neox Kidz, in which advertisers can insert age-appropriate advertising messages;
- § Scrutiny by Autocontrol of advertisers' content aimed at children, obtaining copy advice so as to ensure that it is suitable for broadcast. All other content created by advertisers in child-sensitive sectors is also scrutinised by Autocontrol and if it turns out that it cannot be broadcast during children's programming hours this finding is recorded in the commercial system to ensure that no such content is aired at inappropriate times; and
- § A checks system to indicate if the campaign is subject to any restriction resulting from the copy advice. The system alerts users of any conditions imposed by the copy advice and does not allow a campaign to be broadcast if negative copy advice is given.

3. **Labour rights.** Atresmedia specifically includes minors within the labour rights it guarantees in its policies to *"ensure compliance with ILO provisions, especially those related to the privacy of our employees or the work of minors, rejecting any practices that infringe on them or any other of its principles"*.

## The issue of disinformation

The Digital News Report 2019 prepared by the Reuters Institute of the University of Oxford noted that lack of credibility and the strong impact of disinformation are persistent problems facing media.

As a benchmark for news services, Atresmedia embraces truthfulness and rigour as values, implementing mechanisms to ensure that its news is credible.

The Digital News Report 2019 had the Antena 3 and LaSexta news programmes as leaders in credibility and trust.

Antena 3 Noticias' key highlight in 2019 to stop misinformation, disinformation and fake news was the launch of Verifica A3N. This tool is a fact checker of news that updates and publishes reports regularly refuting fake news in the various media. Staff in Antena 3 Noticias did their first fact-checking training course, which provided them with tools for daily use to detect fake news.

LaSexta Noticias set up and put in place a verification and fact-checking team together with Newtral startup, which specialises in verification. The team provides a cross-cutting service to all the network's programming. *El Objetivo de Ana Pastor*, *Al Rojo Vivo*, *Más Vale Tarde* and *LaSexta Noche* are a few of the spaces that played a key role in verification and fact checking. lasexta.com in particular joined this battle in 2019 with *laSexta Xplica*, an innovative video format that adapts today's most complex issues to all audiences to make them understandable. The aim is to fight against misinformation by giving more and better information.

*El Objetivo de Ana Pastor*, the first Spanish member of the International Fact-Checking Network, won the 2019 Fundación Compromiso y Transparencia award for being pioneers in implementing fact-checking.

On the radio, the maxim of Onda Cero's News Service in tackling the phenomenon of fake news is to check the information, verify its source(s) and test the information before the news can be broadcast in any space. This ensures that no reports broadcast by the network can be accused of being fake news.

## Accessibility for all audiences

On average, 93.75% of Atresmedia's programmes were subtitled or closed captioned (through to December 31), with an average of 30.5 hours of audio description per week and an average of 20.1 hours of sign language per week.

The laws of Spain, and more specifically the General Audiovisual Communication Act, protect the rights of the visually- and hearing-impaired. The Act imposes a number of minimum obligations: subtitling content, providing sign language and including an audio description for at least two hours of broadcasts per week. Compliance is monitored and enforced by the National Markets and Competition Commission (CNMC).

One of the Group's priority objectives under its Corporate Social Responsibility Policy is precisely to ensure that its news and educational programmes and entertainment shows are responsibly produced and broadcast, and that they are accessible to all of society. Atresmedia Televisión therefore makes sure that all viewers, including the hearing- and visually-impaired, are able to access and enjoy all of its television content, using internal tools for daily and weekly monitoring of compliance with legal obligations. Once again in 2019, Atresmedia Group easily complied with the accessibility obligations of LGCA 7/2010, as shown in the following table:

Television accessibility		2018	2019
TV subtitling for the hearing impaired	Total hours	42,076.6	42,109.35
	% to 24 hours	92.5	93.75
Subtitled TV advertising	A3	9.4	17.08
	LaSexta	6.5	9.86
	Neox		15.66
	Nova		20.06
Number of TV hours of sign language		1,086.4	1,044.63
Number of hours of TV audio description		1,889.9	<b>1,588.64</b>
Web environment accessibility		2018	2019
Web subtitling for the hearing impaired [*]	Total hours	3,124	4,392
Number of web hours of sign language		1,096.9	1,055.25
Number of hours of web audio description		No	No

[\*] Subtitling for the hearing impaired includes the part of ATRESplayer content that is, or was, available during 2019 on the platform. These include Simulcast, Catch UP, AVOD and SVOD for both ATRESplayer and ATRESplayer Premium, and for Novelas Nova.

[\*\*] The total number of signed hours in ATRESplayer includes the hours signed for the linear broadcast -and streamed on ATRESplayer- and a small number of hours in VOD content, e.g. political debates, which would add 10.5 hours.

Live subtitling is a product of our commitment to making all news events accessible to all viewers, regardless of time zone and ensuring the utmost flexibility when dealing with changes in length.

Key milestones in 2019 in programming and broadcasting of subtitled, audio described and signed spaces on television include:

- 100% live subtitled programming in the commercial time slot;
- subtitling of the year's major live news events, including the special general elections on La Sexta and Antena 3, interviews of candidates for Spanish PM and the *Al Rojo Vivo* special for local, Regional and European elections;
- increase in live entertainment programmes subtitled: *La Voz* (semifinals and finals) and *Tu cara me suena* (semifinals and finals);
- increase in the offer of audio described and signed programmes, with 63 episodes of the *Vidas Anónimas* series, representing an offer of 2,961 new minutes;
- significant progress in subtitling, audio description and ad-signing with an increase in advertisers to enhance accessibility to their campaigns. Moreover, all spots broadcast free of charge for NGOs were subtitled and an audio description service provided to advertisers requesting it.

In June and December, Atresmedia took part in the Working Group on Quality in Audiovisual Content in joint work with CESYA, the Royal Board on Disability, the CNMC (Spanish National Markets and Competition Commission), other television operators, associations of visually and hearing impaired people and accessibility services companies.

A new project also began in 2019 to advance the accessibility of the Group's website content in 2020. These improvements will make it possible to upload subtitles to all live programmes once they have been broadcast, to provide videos with audio description for the visually impaired, and to enhance measurement tools. The project will also guarantee accessibility to exclusive non-television content.

### Ad-content tracking mechanisms

Atresmedia Publicidad spends a great deal of time and money ensuring that all advertising content undergoes strict quality control processes so as to guarantee absolute compliance with the law, and also with the self-regulation codes that the Group has voluntarily embraced.

In a bid to ensure ethical commercial communication and to protect the rights of citizens, especially children, the Group adheres to numerous codes that go beyond strict compliance with the law to uphold and promote self-regulation within the sector.

#### Self-regulatory codes signed by Atresmedia and date of effect

- Code of Conduct on Commercial Communications of Gambling Activities (2012)
- Self-Regulatory Code on Food Advertising Targeting Young People, the Prevention of Obesity and Promotion of Health (2010)
- Self-Regulatory Code on Advertising Toys to Children (modified in 2010)
- Self-Regulatory Code on Advertising for Spanish Brewers (2009)
- Self-Regulatory Code on Wine Products (2009)
- Self-Regulatory Code on SMS Marketing (2009)
- Self-Regulatory Code of the Spanish Federation of Alcoholic Beverages (FEBE) (2006)

Meanwhile, Atresmedia Televisión is an active and founding member of Autocontrol, Spain's association for the self-regulation of commercial communications. This forum works towards enhancing compliance with advertising and competition laws and regulations and strengthening the assurances there to protect advertisers, television channels and consumers.

All advertising, whether aimed at children or other audiences, is scrutinised internally through a quality control procedure and a strict check list enforced by the advertising guidelines and continuity departments. It is also reviewed by Autocontrol through 'copy advice' requests that guarantee the legal and deontological or ethical correctness of all advertisements broadcast. These mechanisms were bolstered in 2019 with new indications in the Television Broadcasting System and in continuity to prevent ads from being broadcast outside the established hours.

As a reviewer of content, Atresmedia Publicidad assessed 1,613 copy advices, generating 73 legal consultations in the year. Legal consultations occur when Atresmedia needs to discuss questions or doubts with the Legal Affairs department of Autocontrol in relation to the regulation or self-regulation of a piece of advertising content, or how it should be interpreted.

Since 2015, Atresmedia has won all appeals for judicial review against sanctions imposed by the CNMC on advertising and programming. In 2019 alone, the supervisory body reimbursed the Group nearly EUR 1 million in penalties.

	2018	2019
<b>No. of copy advices</b>	1,593	1,613
<b>No. of cases</b>	1	2
<b>No. of breaches</b>	2	1
<b>Fines</b>	145,147	3,689
<b>Legal consultations</b>	103	73

## 6.2 On society

Atresmedia, as part of its responsibility as a media, undertakes to contribute to social development and progress by reporting and raising public awareness of pressing issues and concern. In doing so, Atresmedia attempts not only to show society as it is, but to help bring about positive social change through the content it broadcasts.

Beyond raising social awareness through its content, Atresmedia also does so through its advertising spaces. For more than a decade, Atresmedia has had a procedure in place for granting free advertising space to help NGOs spread their campaigns.

Atresmedia broadcast campaigns on all its media (television, radio and digital) worth EUR 14.9 million in 2019, up 8.24% from the year before (2018: 13.79), benefiting 22 NGOs.

Issues about which Atresmedia raised awareness in collaboration with the beneficiary NGOs in these advertising spaces included loneliness of senior citizens, children's cancer, inclusion of people with disabilities, the normalisation of mental illness, plastic in oceans, prevention of addiction in young people, eradication of gender violence, promoting research, improving quality of life of homeless and promoting volunteering.

## 6.2.1 Sustainable Development Goals

Atresmedia is aware of its companies' importance in meeting the United Nation's 2030 Agenda and 17 Sustainable Development Goals (SDGs). Therefore, since it was launched, Atresmedia has been using its policies, initiatives and outreach to push towards the SDGs to which it can contribute the most and have the greatest impact, carrying out the following initiatives:

- Atresmedia is member and signatory of the United Nations Global Compact since 2018, using this platform to also help drive the 2030 Agenda in Spain.
- Since 2017, it has lent its support to COMPANIES4SDG, developed by the Global Compact and Red Voluntare to promote the SDGs through corporate volunteering.
- It is also promoter of the GoODS awards developed by the Global Compact and the Rafael del Pino Foundation, which recognise innovations that help achieve the SDGs, encourage and inspire Spain's private sector to achieve the SDGs and drive cooperation and dissemination of the 2030 Agenda.
- In 2019, in honour of the fourth anniversary of the launch of the SDGs, Atresmedia started the *ATRESMEDIAXODS* initiative to raise awareness about the importance of achieving the goals internally among employees and externally to society as a whole. Antena 3 and laSexta gave specific coverage and undertook several awareness-raising actions for employees to gain their personal commitment and inform them about small gestures they can make that can help achieve and promote the SDGs. Highlights include the action in social media carried out under the slogan 'Hay Motivo' (there's a reason).
- Atresmedia has a corporate volunteering programme aligned with the SDGs.
- The initiatives comprising Atresmedia's commitment to helping achieve the various SDG targets are outlined in section 6.2.2.

## 6.2.2 Compromiso Atresmedia

Atresmedia strongly believes that the media has the power to transform society for the better. This conviction was institutionalised in 2014, when the Group created **Compromiso Atresmedia (Atresmedia Commitment)**, an umbrella platform under which the Group carries out all its corporate responsibility projects and showcases them through television, radio and its digital platforms. It is aligned with the SDGs. Each project aspires to solve a social problem: road safety with *Ponle Freno* (2008); the environment with *Hazte Eco* (2010), promoting healthy habits with *Objetivo Bienestar* (2014); defending cultural invention and intellectual property with *Crea Cultura* (2014); support for scientific research and preventive medicine with *Constantes y Vitales* (2014); and fighting against gender-based violence alongside *Tolerancia Cero* (November 2015). A new campaign was launched in 2019: *Levanta la cabeza* to promote responsible use of technology.

Following the launch of *Ponle Freno*, every step we take is a reflection of Atresmedia's commitment to society and the community: the aim is for every initiative of ours to bring about some kind of transformation, meaning real change that has a direct and positive impact on society. Moreover, to ensure the Group practises what it preaches, these initiatives are also reflected internally through actions to promote road safety, healthy habits and environmental awareness among Group employees.

Audience research through focus groups and renowned institutions position Atresmedia as the benchmark communication group in conducting awareness campaigns.

2019	SHOWINGS							Hours	Accumulated audience (thousand)	Coverage %	GRPs
	Antena 3	laSexta	Neox	Nova	Mega	Atreseries	TOTAL				
<b>Ponle Freno</b>	1,121	632	944	1,146	1,076	1,146	<b>6,065</b>	42.5	38,460	89.6	3,733
<b>Objetivo Bienestar</b>	713		1,027	356	327	362	<b>2,785</b>	16.7	32,927	76.7	1,448.2
<b>Constantes y vitales</b>		952					<b>952</b>	6.4	29,036	67.6	902.9
<b>Hazte Eco</b>		121	343				<b>464</b>	2.8	21,551	50.2	278.4
<b>Tolerancia Cero</b>	163	170		255	246	256	<b>1,090</b>	7.1	30,426	70.9	696.5
<b>Crea Cultura</b>	93	62					<b>155</b>	1.2	21,232	49.5	260
<b>Levanta La Cabeza</b>	720	725	806	798	720	797	<b>4,566</b>	28.4	36,710	85.5	2,861.7
<b>Fundación Atresmedia</b>	442	432	383	466	431	468	<b>2622</b>	17.5	35,819	83.4	1,485.6

### Ponle Freno

#### CONTRIBUTION TO THE SDGs:



**Aligned with target 3.6. Halve the number of global deaths and injuries from road traffic accidents.**

*Ponle Freno* is Atresmedia's corporate responsibility initiative. It was created in 2008 with the aim of reducing road accidents and helping to save lives on the road. *Ponle Freno* entailed the following actions in 2019:

2019 goals	2019 partnered actions and milestones
To seek commitment by society to improve children's road safety education because today's children will be tomorrow's drivers	<b>The ¿Y tú cómo conduces? No descuides al volante la educación de tus hijos campaign.</b> This campaign entailed a sociological experiment in which several children were asked individually about their parents' driving habits. Results showed differences between their and their parents' opinions, demonstrating that what matters is not how well people think they drive, but how well they actually do.
To recognise the work of the people, institutions and initiatives that have helped promote road safety	<b>The 11th annual Ponle Freno awards</b> for road safety, with a record number of candidates. The winners were: Sustainable Intelligent Transportation System (AXA Road safety Innovation and Development Award); Roquetas de Mar Town Council (Ponle Freno Junior Award); Gonvarri Steel Services (Best Occupational Road Safety Initiative); CIFAL Madrid (Best road safety action); Paco Costas (Career contribution to road safety); and José María Gracia (Ponle Freno Citizen Award).
To encourage people to file complaints about signs and roads in poor condition and process them to demand a solution from the pertinent government agencies	<b>5th Señales y carreteras en mal estado campaign.</b> Under the slogan 'Bad roads are a threat to good driving', this campaign encouraging people to complain about signs and roads in poor condition invited citizens to take pictures or videos of signs or roads they knew were in poor condition. The campaign received and handled more than 500 complaints.
To promote sustainable mobility and consider alternatives for rational and safe use of the	<b>Safe and sustainable campaign and actions.</b> With the message "Be safe, no matter how to get around", a campaign was conducted to find alternatives that help mitigate the negative impacts of the current urban transport model.



various urban mobility options	The Centro de Estudios Ponle Freno-AXA de Seguridad Vial, a road safety research centre, held its 3rd Conference on safe and sustainable mobility, at which representatives from associations, institutions, political representatives and Spain's national traffic authority, DGT, addressed the impact of new forms of mobility on accidents and how to help achieve a safe co-existence.
To extend the road safety awareness message to different parts of Spain so as to encourage the public to take action and support traffic accident victims.	<b>Ponle Freno Charity Run Tour.</b> Six cities hosted the Ponle Freno charity run tour in 2019, with the addition of Badalona for the first time. The event raised EUR 164,959 for projects to care for road accident victims.

<b>2020 goals</b>	<ul style="list-style-type: none"> <li>To promote road safety for particularly vulnerable groups, e.g. people over 65 and motorcycle drivers</li> <li>To raise awareness about being distracted while driving and the human factor as the main causes of road accidents</li> <li>To continue raising awareness about children's road safety education and safe and sustainable mobility</li> </ul>
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### Objetivo Bienestar

#### CONTRIBUTION TO THE SDGs:



#### Ensure healthy lives and promote well-being for all.

Objetivo Bienestar in an Atresmedia initiative launched in 2012 to promote healthy habits. The following actions were carried out in 2019 under this initiative:

Goals	2019 partnered actions and milestones
To raise awareness about the importance of healthy eating, physical exercise and mental well-being.	<b>Tips for healthy lifestyle habits.</b> In addition to the TV spots that air daily on Antena 3, the campaign has its own weekly sections on the shows <i>Espejo Público</i> and <i>Tu Tiempo de Braseró</i> , and on <a href="http://bienestar.atresmedia.com">bienestar.atresmedia.com</a> , aimed at adults. This year focused on three issues: breakfast, summer health care and sleep.
To raise awareness among young people of healthy habits based on good nutrition, physical exercise and rest	<p><b>Tips for healthy lifestyle habits of children.</b> Tips were aired on Neox Kidz and starring the network's mascot, Mr. Plinton to raise awareness among younger audiences about the importance of eating fruit and vegetables, having breakfast, sleep, hydration and daily physical activity.</p> <p><b>"Healthy breakfast" campaign.</b> Dissemination of tips in a section on <i>Espejo Público</i> and <i>Tu Tiempo</i> on the importance of breakfast, which is often neglected. Healthy breakfast seminars were held in 10 Spanish cities, drawing large crowds.</p> <p><b>'Team sport' contest.</b> This was a competition for the best video made by children that embodies the values of team sports. A book with their testimonials will be published.</p>
To reward companies, organisations, and schools that promote original and positive projects to combat childhood obesity	<b>7th "Coles Activos" Awards.</b> Creation of a new specific website for the awards ( <a href="http://colesactivos.com">colesactivos.com</a> ) and participation of 72 schools. First prize was awarded to the "Los Alamos" (Madrid) special education school. Second prize when to CEIP "Els Tolls" (Benidorm-Alicante) and third to IES "La Laboral de La Laguna" (Santa Cruz de Tenerife).

	<b>Objetivo Bienestar Junior seal of recommendation.</b> This seal recognises the value of healthy children's projects promoted by companies, including the promotion of a class on gastronomic culture in primary school, eco-healthy eating and conveying the importance of healthy eating through a musical.
To promote physical exercise with the family	<b>8th staging of <i>De Marcha con Objetivo Bienestar Junior</i>.</b> This initiative targeting children is designed to promote sport with the family. Last year, some 5,000 participants followed a 2.3 kilometres-long route inside the Warner theme park in Madrid.
To getting agencies and public administrations involved in promoting healthy living habits among children	<b>Agreement with the Ministry of Health, Consumer Affairs and Social Welfare.</b> Partnership with the ministry through the Spanish Consumer, Food Safety and Nutrition Agency (AECOSAN) to combat childhood obesity with physical exercise during the first months of life. <b>Partnership agreement with Fundación Gasol.</b> Contribution to the PASOS study by Fundación Gasol on lifestyles in Spain for youths aged 8 to 16.
<b>2020 goals</b>	<ul style="list-style-type: none"> <li>• To advance the Objetivo Bienestar website</li> <li>• To promote cooperation with Fundación Gasol in joint projects to combat childhood obesity</li> <li>• To reinforce the Coles Activos awards</li> <li>• To encourage physical activity by employees</li> </ul>

### Constantes y vitales

#### CONTRIBUTION TO THE SDGs:



**Ensure healthy lives and promote well-being for all.**



**Aligned with target 9.5. Enhance scientific research and invest research spending.**

*Constantes y Vitales* is the brainchild of laSexta, in partnership with Fundación Axa. The initiative began in 2014 to promote medical and scientific research and raise awareness of health issues. *Constantes y Vitales* carried out the following actions in 2019:

Goals	2019 partnered actions and milestones
To promote the cardioprotection of public spaces	<b>Defibrillator installation campaign.</b> This initiative continued in 2019, making Extremadura, Navarre and Aragon cardioprotected regions to join Madrid, Valencia, Andalusia, Catalonia, the Canary Islands, the Basque Country, Asturias and Cantabria. So far, the initiative has collected 120,000 signatures on internet.
To promote women researchers in Spain, make science accessible to female talent and increase the number of female researchers	<b>Creation and distribution of the first database of Spanish women researchers.</b> Created in 2018, the number of women included in this comprehensive and pioneering list surpassed 2,500 in 2019. Its aim is to provide a benchmark for the media and organisations that need input from women researchers.
To raise awareness about the need for treatments prescribed by health professionals	<b>Tómalo en cuenta medication adherence campaign.</b> In partnership with Observatorio de Adherencia al Tratamiento, this initiative was designed to raise

	awareness about a serious public health concern: scant adherence to treatments. The campaign was rounded off with the launch of 'Adherecum' document, a manual of advice and recommendations for health professionals to achieve medication adherence by patients.
To recognise and strengthen the value of Spanish scientists' research in biomedicine, and health prevention campaigns.	<b>5th Constantes y Vitales Awards.</b> The winners were: Sociedad Española de Cardiología y Cruz Roja (Best medication prevention dissemination campaign); Guillermina López Bendito, researcher at Instituto de Neurociencias de Alicante (Biomedical journal of the year); Salvador Aznar-Benitah, laboratory head of Células Madre y Cáncer del IRB Barcelona (youth talent in biomedical research), who received EUR 100,000 to continue their research projects; and Ángel Carracedo, professor of forensic medicine and coordinator of the genomic medicine group of Santiago de Compostela University (Best scientific career).
To disseminate and recognise the work of Spanish scientists	<b>The <i>¿Valoramos a nuestros científicos como se merecen?</i> campaign.</b> This campaign is designed for audiences to ponder whether we really afford researches their due and to promote and celebrate the achievements of Spanish scientists like María Blasco, Francis Mojica and Ángela Nieto.

<b>2020 goals</b>	<ul style="list-style-type: none"> <li>To continue with the campaigns on stroke prevention, recognition of Spanish scientists and the women researchers database</li> <li>To spark interest among young people, especially women, in STEM careers</li> <li>To address the issue of pseudosciences and alternative medicine as therapy, strengthening the legitimacy of health care workers.</li> <li>To encourage physical activity by employees</li> </ul>
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## Crea Cultura

### CONTRIBUTION TO THE SDGs:



Aligned with target 4.7 Promoting a culture of peace and non-violence, global citizenship and appreciation of cultural diversity and of culture's contribution to sustainable development.



Aligned with target 11.4. Strengthen efforts to protect and safeguard the world's cultural and natural heritage.



Aligned with target 16.10. Ensure public access to information and protect fundamental freedoms, in accordance with national legislation and international agreements.

*Crea Cultura* was created with the aim of becoming a cultural benchmark, adding value to creators and defending copyrights. In 2019, it won the Líber award for encouraging reading in media and carried out the following actions:

Goals	2019 partnered actions and milestones
To disseminate literary creation and promote reading habits	<b>Creation of the Ahora qué leo platform.</b> This pioneering initiative on FTA television and being developed across the Internet, media and all laSexta's programming, seeks to spark passion and reading habits among all audiences. <b>Crea Lectura programme on laSexta.</b> Once again in 2019, this programme was aired every two weeks, along with a television page centred on literature and books. It reflects the spirit of Atresmedia's <i>Crea Cultura</i> movement: to defend and recognise the value of intellectual property and support creators and their works.
To generate spaces for discussion on cultural creation and defend intellectual property	<b>Gatherings to promote cultural creation and defend intellectual property.</b> In 2019, the initiative promoted discussion and gatherings such as forum held at the Madrid Book Fair under the slogan "Patronage in the cultural industry".
To defend copyrights	<b>The ¿Así pagas a los creadores? No seas troglodita campaign.</b> This campaign (Is that really how you pay creators? Don't be a troglodyte) was carried out again in 2019, this time featuring the Yllana theatre group, which uses wit to incite reflection on the importance of supporting people who enrich us by creating the culture everyone enjoys.

### Tolerancia Cero

#### CONTRIBUTION TO THE SDGs:



**Aligned with target 5.2. Eliminate all forms of violence against all women and girls in public and private spheres, including trafficking and sexual and other types of exploitation.**

Spearheaded by Antena 3 Noticias and strategic partner Fundación Mutua Madrileña, *Tolerancia Cero* (zero tolerance) was created with the firm commitment of ending gender-based violence through education, encouraging people to report, and raising awareness about this social scourge. Under the slogan "Contra el maltrato, Tolerancia Cero" (zero tolerance for abuse), this initiative carried out the following actions:

Goals	2019 partnered actions and milestones
To promote social education	Staging of the 1st Tolerancia Cero: "Tolerancia Cero contra la Violencia de Género" seminar. At this seminar, specialists in gender-based violence advocated reporting and taking care of victims, and underlined the protection of minors from this type of violence.
To raise social awareness	LaSexta broadcast the campaign's recommendations for the first time in 2019. Monica Carrillo conducted the special programme on the International Day for the

	<p>Elimination of Violence against Women Monica Carrillo called <i>Ni una menos: especial tolerancia cero</i> (Not one more: zero tolerance special) on Antena 3's late night.</p> <p>In 2019, the <i>Si te controla, no es amor es maltrato</i> campaign on control and harassment as signs of abuse.</p>
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### Levanta La Cabeza

#### CONTRIBUTION TO THE SDGs:



Aligned with target 9.5. Upgrade technological capabilities, including encouraging innovation.



Aligned with target 10.2. Empower and promote the social, economic and political inclusion of all (digital divide).



Aligned with target 16.10. Ensure public access to information and protect fundamental freedoms, in accordance with national legislation and international agreements.

To promote responsible, constructive and positive use of technology, Atresmedia rolled out this new corporate responsibility initiative to reflect on the threats and opportunities of technology and how people are related. Banco Santander joined as a strategic partner through its *Digilosofía* initiative, with the shared goal of bringing technology to people and promoting the responsible use of all tools available in the digital world.

Goals	2019 partnered actions and milestones
To promote a benchmark digital transformation platform as a meeting point for all social actors	<b>Start up of the levantalacabeza.info platform.</b> levantalacabeza.info is an open and collaborative forum for reflection set up to answer questions, generate discussion and receive proposals on the current use of technology. It targets institutions, households, the schools and companies.
To encourage critical thinking on the use of technology and its impact on society.	<b>First Levanta la cabeza campaign.</b> Featuring Atresmedia's leading personalities, the campaign aimed to get people to 'raise their heads' to face the technological reality changing their habits and the impact of using technology. <b>Launch of the Levanta La Cabeza Test.</b> This web app, endorsed by the Spanish drug addiction foundation, FAD (Fundación de Ayuda contra la Drogadicción), helps users find out whether they are using technology responsibly. It performed 192,000 tests in 2019.
To inform about technology from a different, serious, rigorous, closer unbiased way	<b>Over 100 reports on technology</b> given by Antena 3's and laSexta's news services.
To lead the debate on the reality of technology, with the help of technology specialists	<b>Creation of a digital transformation experts committee.</b> Levanta la Cabeza has a group of experts made up of professionals specialised in different fields of technology that guides and supports the contents of this initiative.

### 2020 goals

- To heighten awareness about the serious risks posed by technology for young people
- To promote discussion on limiting the amount of time and space given to technology and raise awareness about the idea of "availability" and encourage disconnection
- To provide tools to become technologically mature, especially between parents and children
- To develop tools to help detect and fight against fake news

## 6.2.3 Corporate volunteering

Since 2005, Atresmedia has had a broad Corporate Volunteering Programme aligned with the Sustainable Development Goals (SDGs). The programme is growing each year and embraces two main courses of action:

- **Participating actively in volunteering activities:** The Group offers its employees the opportunity to get involved in various volunteering initiatives that champion worthy causes, allowing them to learn more about the realities of other segments of society and to further enrich themselves both personally and professionally through these valuable experiences.
- **Promoting and encouraging volunteering:** The programme aims to promote and encourage corporate volunteering through Atresmedia's communication channels (television, radio and digital platforms), and by taking part in major forums such as Red Voluntare. In 2019, Atresmedia continued to help disseminate the Un Global Compact and Voluntare's #Companies4SDGs campaign to promote the SDGs through corporate volunteering. It also staged the 13th annual Company Solidarity Day together with Spanish NGO Cooperación Internacional and was media partner and host of the Give and Gain International Volunteer Week organised by Forética.

Atresmedia organised 28 activities in 2019 (45% more than in 2018) involving 234 Group volunteers (201 different) and their families and friends (32% more than in 2018).

This resulted in 1,910 hours of volunteering (10% fewer than in 2018 because of the shorter duration of international volunteering) with vulnerable groups of 11 NGOs (compared to 13 in 2018). The total spent on volunteering in 2019 was EUR 11,493 (unchanged from 2018).

Atresmedia worked closely and on an ongoing basis with Fundación Aladina, the Food Bank, the Spanish Red Cross and the Social Santa María Josefa soup kitchen, and teamed up for the first time with Fundación Aldaba and AFANDEM for people with disabilities and with Fundación Hogar Sí for the homeless. Atresmedia's corporate volunteering programme contributed to the following SDGs: 1 (**No poverty**), 2 (**Zero hunger**), 3 (**Good health and well-being**), 4 (**Quality education**) and 10 (**Reduced inequalities**).

	2018	2019
<b>No. of volunteers</b>	177	234
<b>Hours of volunteering</b>	2,136	1,910
<b>No. of volunteering activities</b>	20	28
<b>Voluntary work spend (€)</b>	11,356	11,493
<b>Number of charities served</b>	13	11

## 6.2.4 Fundación Atresmedia

### CONTRIBUTION TO THE SDGs:



**Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all.**



**Ensure healthy lives and promote well-being for all.**

Fundación Atresmedia was founded in 2005 to channel the Atresmedia Group's social aid and support towards the protection of children and young people by relying on the Group's considerable resources and expertise.

#### Our mission is...

To support children and young people in need and to generate a current of opinion that responds to their concerns, needs and interests

#### Our vision is...

To become the Spanish foundation most adept at mobilising society and bringing about real changes that matter to children and young people.

#### Our values

Transparency

Positive spirit

Commitment

Empathy

Efficiency



Within the foundation, there are three large areas:

- **Humanising children's hospitals:** Thanks to the area's work, the first edition of the Children's Hospital Humanization Index (IHHI) was prepared and presented in 2019, involving 68 hospitals in Spain. The first TV channel especially designed for children in hospital was created, available in 170 hospitals. Visits by celebrities were organised and a number of initiatives were carried out, such as National Hospitalised Child Day and the XII National Workshop on the Humanization of Children's Hospitals.
- **Normalising disability:** This area aims to integrate people with disabilities. It has given out 21 scholarships at performing arts schools. Awareness campaigns were also conducted in partnership with organisations such as Fundación Randstad and Fundación Orange Foundation, in addition to workshops with Atresmedia staff and family members.
- **Improving education:** In this area, Fundación Atresmedia organised teacher meetings and the *Grandes Profes, Grandes Iniciativas* (Great Teachers, Great Initiatives) awards for the best initiatives related to coexistence and school inclusion, motivation and success, or digital transformation in the classroom. Other initiatives carried out include *Descubre la FP* (Discover Vocational Training), a project to raise awareness about vocational training, awareness campaigns to bring education closer to society, and the creation of *La educación que queremos* (The education we want) seminars in partnership with Fundación Botín.

### Funding model

The Atresmedia Group granted the foundation a total of EUR 500,000 in 2019. Together with donations (EUR 118,370.76) and other income (EUR 948,300), this brought the foundation's total budget to EUR 1,566,670.76 for the year. The foundation does not receive any state subsidy or aid.

	2018	2019	Annual change (%)
<b>Budget from Atresmedia</b>	500,000	500,000	0.00
<b>Donations</b>	103,665	118,370.76	14.19
<b>Government assistance (€)</b>	0	0	0.00
<b>Other income</b>	539,000	948,300	75.94
<b>Total income (€)</b>	<b>1,142,665</b>	<b>1,566,670.76</b>	<b>37.11</b>

## 6.2.5 Respect for human rights

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As a signatory of the United Nations Global Compact, Atresmedia embraces the commitments of the pact and shares its strategies for the various areas targeted by this initiative, which include human rights.

Atresmedia's can potentially impact rights related to labour relations, freedom of association and the abolition of abusive working conditions or child labour, and to freedom of expression, thought and conscience. To respect the rights of everyone, Atresmedia has a General Corporate Responsibility Policy that specifically outlines its commitments to these rights, which are classified into three areas of protection:

|Children's rights |Labour rights |Rights of freedom of expression

Each aspect is addressed throughout the document, specifically because they affect stakeholders, in sections 6.1 On customers and users, 6.3 On employees, especially the section related to labour rights, and 6.4 On suppliers, producers and distributors.

The protection mechanisms and specific lines of action of each are described in this document. Specifically, complaints or queries related to human rights are channelled through the Corporate Responsibility mailbox and the Whistleblowing Channel. The heads of the pertinent area receive and analyse them. No complaints of human rights violations were received in either 2019 or 2018.

## 6.3 On employees

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Atresmedia knows that people are companies' main assets and value. It knows that excellence in people management can set a company apart from its peers over time and be the key to its success. This is achieved by reconciling the company's interests with those of its employees. That is why Atresmedia has had a Human Resources Policy in place since 2010 that sets out the values, principles and commitments guiding and shaping the Group's employee management strategy and helps the Company to deliver on its purpose. The Human Resources Policy was updated in 2019 and revolves around the following commitments:

- Providing stable employment and a rewarding working environment
- Training and promoting the professional development of our workforce
- Attracting and retaining talent
- Guaranteeing human and labour rights
- Championing equality, diversity and work-life balance
- Overseeing a safe and healthy work environment

In addition to the commitments set out in the Policy, Atresmedia's human resources strategy is underpinned by values of employee centricity, a propitious environment for initiative and intrapreneurship, teamwork, communication and pride in belonging.

### Workforce structure

Atresmedia had 2,527 people in 2019, up 18.81% on the previous year, of whom 1,315 were women (52.04%) and 1,212 men, with an average age of 42.07 years. Of the 2,527 people, 45 had some form of disability. Voluntary employee turnover in 2019 was 12.35%, while involuntary employee turnover came to 10.23%. Of a total of 409 new hires, 229 were women (55.6%). A total of 83.61% of employees had permanent contracts, while average length of service was 12.1 years.

		2018	2019	Annual change (%)
<b>By gender</b> (at 31/12/19)	<b>Men</b>	1,041	1,212	16.43
	<b>Women</b>	1,086	1,315	21.09

		2018	2019	Annual change (%)
<b>By age</b> (at 31/12/19)	<b>20-29</b>	248	345	39.11
	<b>30-45</b>	957	1,176	22.88
	<b>45-60</b>	871	942	8.15
	<b>Over 60</b>	51	64	25.49

		2018		2019		Annual change (%)	
		Men	Women	Men	Women	Men	Women
<b>By job category</b> (at 31/12/19)	<b>Managers</b>	172	86	174	87	1.16	1.16
	<b>Technicians</b>	748	708	858	867	14.71	22.46
	<b>Administrative</b>	24	131	23	134	-4.17	2.29
	<b>Other</b>	97	161	157	227	61.86	40.99

		2018		2019		Annual change (%)	
		Men	Women	Men	Women	Men	Women
<b>By type of employment contract</b> (at 31/12/19)	<b>Temporary staff</b>	12	31	30	43	150%	39%
	<b>Permanent</b>	918	925	1,041	1,073	13%	16%
	<b>Interim</b>	22	36	28	48	27%	33%
	<b>Labour</b>	85	87	106	140	25%	61%
	<b>Internships</b>	4	7	7	11	75%	57%

		2018	2019	Annual change (%)
<b>By country</b> (at 31/12/19)	<b>Spain</b>	2,106	2,499	19%
	<b>Brazil</b>	10	15	50.00%
	<b>Colombia</b>	3	5	66.67%
	<b>Argentina</b>	7	7	0.00%
	<b>Chile</b>	-	1	-
	<b>Peru</b>	1	-	-100%

Annual average by contract type		Permanent contract		Temporary contract		Part-time contract							
	Gender	M	F	M	F	M	F						
	2018	879.5	838.7	147	179.3	11.3	48.7						
	2019	1,020.85	1,049.54	150.92	210.92	9.69	26.92						
	Annual change (%)	16	25	3	18	-14	-44						
		Permanent contract				Temporary contract				Part-time contract			
	Age	20-29	30-45	46-60	> 60	20-29	30-45	46-60	> 60	20-29	30-45	46-60	> 60
	2018	86.7	760.4	824.1	47.4	141.1	156.2	27.7	1.3	7.2	33.3	17.5	2
	2019	126.92	994.69	881.54	67.23	187.38	146.46	27.15	0.85	13.62	13.62	8.23	1.15
	Annual change (%)	46	31	7	42	33	6.23	2	-35	89	-60	-53	-42
		Permanent contract				Temporary contract				Part-time contract			
	Professional category	Managers	Technicians	Administrative	Other	Managers	Technicians	Administrative	Other	Managers	Technicians	Administrative	Other
2018	202.6	765.8	52.3	125.6	0.9	151.9	16.8	121.6	1.8	5.5	3.3	2.4	
2019	259.46	1,474.15	132.62	204.15	-	198.08	24.23	139.54	1.54	19.62	10.46	5	
Annual change (%)	28	92	154	63	-	30	44	15	-15	257	217	108	

No. employees by Group company														
	Atresmedia	Advertising	Noticias	Fundación	I3TV	Canarias	Uniprex TV	Multimedia	Cine	6&M	Studios	Smart Clip	Uniprex	UTE
TOTAL 2018	447	349	315	9	53	16	78	148	12	-	5	94	568	33
TOTAL 2019	453	338	305	12	60	1	69	147	11	367	37	111	580	36
Annual change (%)	1.34	-3.15	-3.17	33.33	13.21	-93.75	-11.54	-0.68	-8.33	-	640.00	18.09	2.11	9.09

## Providing stable employment and a rewarding working environment

In its endeavours to create a rewarding working environment, Atresmedia provides stable employment and working conditions that are in line with the overall industry, relying on fair compensation of employees and non-discrimination in pay to deliver this.

	Average remuneration	2018	2019	Annual change (%)
<b>By category</b>	<b>Managers*</b>	137,957	143,402	3.95
	<b>Technicians</b>	39,348	38,155	-3.03
	<b>Administrative</b>	26,596	27,544	3.56
	<b>Other</b>	21,681	21,234	-2.06
<b>By age</b>	<b>20-29</b>	15,091	14,300	-5.24
	<b>30-45</b>	39,887	36,476	-8.55
	<b>46-60</b>	64,567	64,251	-0.07
	<b>Over 60</b>	124,912	111,568	-10.68
<b>By gender</b>	<b>Men</b>	57,910	55,116	-4.83
	<b>Women</b>	38,947	37,203	-4.48

[\*] Managers includes senior managers, managers, and middle managers.

Average remuneration of members of the Atresmedia Board of Directors\* in 2019 amounted to EUR 168,697.33, up from EUR 144,251.47 in 2018 (+16.95%). Average remuneration was EUR 260,519.66 for men in 2019 compared to EUR 211,627.94 in 2018 (+23%) and EUR 76,875.00 for women in 2019 (unchanged from 2018).

[\*] Average remuneration excludes fixed remuneration of directors as such.

Gender pay gap [*]	2018	2019	Annual change (%)
<b>Managers [**]</b>	28.86	32.66	13.17
<b>Technicians</b>	11.49	11.98	4.26
<b>Administrative</b>	-15.69	-2.02	-87.13
<b>Other</b>	9.11	0.58	-93.63
<b>Average</b>	32.75	32.45	-0.92

[\*] The gender pay gap calculation was made considering as remuneration the base salary plus additional amounts paid to an employee; e.g. for length of service, agreements for the performance of specific duties, over-time, supplements for availability or dedication, bonus/incentives for the achievement of objectives, extra pay for nights shifts and work on holidays. All amounts are set out in the Form 190.

[\*\*] The category of Managers includes senior managers, with a gender pay gap of 26.56%, managers, with a gender pay gap of -1.73%, and middle managers, with a gender pay gap of 10.47%.

Atresmedia employees also enjoy a number of additional benefits and in-kind remuneration to supplement their annual salary.

<b>For all employees:</b>
<ul style="list-style-type: none"> <li>• Life insurance</li> <li>• 100% of salary paid during medical leave</li> <li>• Parking</li> <li>• Canteen</li> <li>• Training</li> </ul>
<b>For executives:</b>
<ul style="list-style-type: none"> <li>• Flexible remuneration plan (company car and special training)</li> <li>• Health insurance</li> </ul>
<b>For Atresmedia Radio:</b>
<ul style="list-style-type: none"> <li>• Fund to help with school tuition fees and dental insurance</li> <li>• Travel allowance when employees change work centre</li> </ul>

The company promotes dialogue and two-way communication with employees to learn about their needs and their level of satisfaction, and to promote transparency and engagement. It has a series of internal communication channels for this; e.g. the corporate intranet, the MASDIII digital magazine, the onboarding manual for new hires and corporate emails, with several accounts from which the various divisions send out information of interest to employees. MASDIII had its seventh anniversary in 2019 and embarked on a new stage, with a new design, more contributors, and new sections with employees as the focal point. In 2019, Atresmedia's online in-house magazine had 4,417 users (2018: 3,679), who viewed 189,564 pages (2018: 160,219).

Measures to achieve stable employment drove a 18.81% increase in the work force and 61 dismissals in 2019.

	No. of dismissals									
	Men	Women	20-29	30-45	45-60	+60	Managers	Other	Technicians	Administrative staff
<b>2018</b>	15	16	6	13	11	1	-	7	22	2
<b>2019</b>	33	28	6	37	15	3	6	6	43	6
<b>Annual change(%)</b>	120	75.00	0.00	184.62	36.36	200.00	-	-14.29	95.45	200

## Training and promoting the professional development of our workforce

One of Atresmedia's main lines of action when it comes to people management is training. The Company has been offering employees a wide range of training programmes tailored to their needs and preferences for 20 years. Its training policy is built around six pillars.

<b>Continuity</b>	Annual updates to training programmes
<b>Quality</b>	Average satisfaction of 9 on a scale of 1-10
<b>Innovation</b>	Inclusion of technological innovations
<b>Comprehensiveness</b>	Covers all companies and categories
<b>Usefulness</b>	Skills that can be used in daily work
<b>Investment</b>	Over EUR 500,000 a year

The training catalogue was revised and expanded in 2019 to promote specialist courses for employees, strengthen key projects and make it easier to develop digital skills within the Company. 40 titles were updated and 28 new ones created for learning corporate communication and digital influence, agile teams, advertising in social media, data science, mobile network planning and fake news. Managers also took a course on big data, while the digital challenges course given in previous years was repeated.

Atresmedia invested a total of EUR 595,594 in training in 2019, equivalent to 36,862 hours of training\* delivered to 1,831 employees. This gives a total of 15 hours of training per employee, distributed across 256 courses and 408 events.

		2018	2019	Annual change (%)
<b>Average no. of training hours / professional category</b>	<b>Managers</b>	52	34	-40.3
	<b>Technicians</b>	31	18	-42.35
	<b>Administrative</b>	34	34	+2.46
	<b>Other</b>	21	15	-29.45
<b>Total no. of training hours / professional category</b>	<b>Managers</b>	9,536	7,588	-20.42%
	<b>Technicians</b>	17,251	23,686	+37.30%
	<b>Administrative</b>	1,912	1,994	+4.26%
	<b>Other</b>	3,286	3,595	+9.4%

[\*] Actual employee attendance is considered in accounting for training hours.



Atresmedia also provides its expertise and knowledge of the audiovisual industry externally through Atresmedia Formación (Atresmedia Training). This project includes a number of actions: open courses on audiovisual content, masters courses in partnerships with universities and business schools, occupational training courses to promote this in Spain, and communications courses for companies and institutions. Atresmedia Training gave 11,444 hours of training to 683 students outside Atresmedia. New during the year was the inclusion of VIU, the distance learning university, marking the beginning of activities in this format on audiovisual topics. More companies receiving communication training courses, while training videos on communication were given to SERGAS (the Galician public health service).

### Attracting and retaining talent

Atresmedia successfully promotes its internship programme each year to identify talent and provide job opportunities to students and young graduates so they become more employable.

Group companies received 564 scholarships in 2019 for students of vocational training, university degrees, postgraduate and masters courses.

A total of 69 talented young individuals were hired on completing their internship at Atresmedia.

In 2018, Atresmedia continued its ongoing collaboration with the Press Association of Madrid (APM) in aiding the job market integration of young graduates by awarding them a one-year internship contract at Antena 3 Noticias and La Sexta as part of the *Primer Empleo* (first job) programme. The agreement with Escuela AFI was implemented whereby a scholarship was granted to a data masters student enabling the recipient to put into practice the knowledge acquired during their studies, which will help advance their professional career at Atresmedia.

Lastly, Atresmedia held another edition of *Proyecto Mañana*. This initiative for university students is designed to promote research projects that encourage creativity and talent of students in audiovisual communication and provide a nexus with the working world. The 2019 edition focused on devising a new strategy for the Group to tap into new market possibilities and new businesses. Entries from the Complutense University of Madrid and CEU San Pablo were the winners. Their participants were rewarded with internships at Atresmedia.

In addition to actions to promote youth employment, Atresmedia creates environments to encourage the creativity of its own employees, generate new ideas and drive intrapreneurship. As an expression of this commitment, it supports the TH'NK initiative. In 2019, Th'nk evolved into a talent- and people-centred project that fosters motivation, mainstreaming and learning through its lines of action: *Th'nk Inspira*, *Th'nk Crea* and *Th'nk Day*.

*Oportunidades al Talento*, in its second year, allowed a group of employees to attend RTL Group's open days in Luxembourg in 2019 and learn about new broadcasting and digital trends, and the Group's future strategy.

### Guaranteeing human and labour rights

Atresmedia complies with regulations and upholds the highest standards of protection of human and fundamental rights through its Human Resources Policy, Equality Plan and the terms and conditions it places on suppliers.

As a signatory of the United Nations Global Compact, Atresmedia embraces the commitments of the pact and shares its strategies in areas of labour targeted by this initiative, which include human and labour rights. In line with this commitment, Atresmedia embeds the following principles as its own:

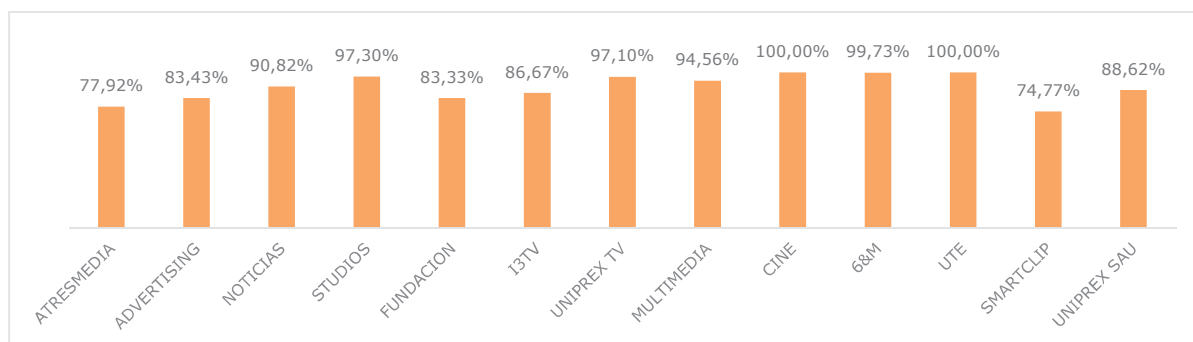
1. Businesses should support and respect the protection of internationally proclaimed human rights within their sphere of influence.
2. Businesses should make sure that they are not complicit in human rights abuses.
3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.
4. Businesses should uphold the elimination of all forms of forced and compulsory labour.
5. Businesses should uphold the effective abolition of child labour.
6. Businesses should uphold the elimination of discrimination in respect of employment and occupation.

### Freedom of association

Atresmedia respects the right of its employees to be represented. Of its staff, 2,226 workers are covered by a collective bargaining agreement. This means that 88.1% of workers are currently adhered to a collective bargaining agreement, up 0.92% from 2018 (87.3%), 2017 (87.0%) and 2016 (86.6%). Of Smartclip staff working outside Spain, 31 employees are adhered to a collective bargaining agreement, the same as in the year before. The collective bargaining agreement signed by Atresmedia Corporación in 2017 remains in full effect and has not been amended since.

### Employees adhered to collective agreements by Group company<sup>5</sup>

Coverage of Atresmedia employees by collective bargaining agreements, which generally address issues of occupational health and safety, vary depending on the Group company:



### Championing equality, diversity and work-life balance

Atresmedia's HR Policy ensures that all employees have the same career advancement opportunities within the Company irrespective of race, gender, age, political opinion, social background or religious beliefs.

<sup>5</sup> The lone employee in the Canary Islands is not adhered to a collective bargaining agreement.

Atresmedia had taken several steps to achieve this, including the signing of an Equality Plan in 2014 that pursues the following objectives:

- Ensuring equal treatment and equal opportunities
- Improving the work-life balance of employees
- Preventing harassment at the workplace
- Supporting pregnant workers and motherhood

The Equality Plan has its own committee, which meets regularly to monitor compliance and approve new actions to improve equality. Atresmedia's commitment to equality is reflected in its workforce, which currently comprises 52.04% women and 47.96% men.

Measures aimed at promoting work-life balance and balanced and equal sharing of family duties are outlined in the Equality Plan and revolve around flexible working hours, the possibility of teleworking, and extending leave for death or illness of family members. The plan also sets out measures to include and help women employees who are victims of domestic violence. Atresmedia does not have work disconnect policies, although the plan recommends avoiding calling meetings after 6 p.m.

Further progress on implementing teleworking was made in 2019 by adding new areas, such as General Services, Health and Safety, Audience and External Production. Negotiations of the Equality Plan for Antena 3 Noticias were completed, providing this company with a plan that closely resembles Atresmedia Corporación's.

In 2019, 75 workers exercised their right to parental leave (2018: 60) and all returned to work.

Meanwhile, Atresmedia has been carrying out specific actions to promote the integration of especially vulnerable groups. Atresmedia has been a member of the Network of Companies for a Society Free from Gender Violence since 2015 and continues to collaborate with the Integra Programme, offering unpaid work in the Company for women victims of gender violence. Three women were awarded scholarships through this project in 2019.

Atresmedia also champions the employability of people with disabilities. The Group had 45 employees with some level of disability in 2019. The Company is committed to helping to fully integrate them and improve their accessibility. In 2016, using the Bequal approach, Ilunion prepared a report on accessibility to Atresmedia facilities, concluding that both the exit routes and outside routes were correct. There are reserved parking spaces and both internal working areas and bathrooms are appropriate, but have constantly being improved.

There were no reports of gender discrimination in 2019.

### **Overseeing a safe and healthy work environment**

Atresmedia's Occupational Risk Prevention Policy earned OHSAS 18001 assurance in 2017. The policy was updated in 2018 and audited in 2019. The Group has five Health and Safety Committees; one each at Atresmedia CMC, Uniprex, Antes 3 Noticias, A3 Multimedia and I3 Televisión. These committees meet regularly and members are duly informed of progress made (risk assessment, objectives and recruitments through temporary employment agencies). The following actions were undertaken in 2019 in furtherance of the Prevention Plan:

- Update of occupational risk assessments for radio stations (64 centres), television stations (4 centres) and a broadcasting centre;
- Development of an e-learning platform for OHS training;

- Training and orientation on OHS: in 2019, the Prevention and Medical Services department provided mandatory initial training and awareness actions on occupational health and safety for 992 workers (1,488 hours of training), plus a further 2,350 hours of refresher courses for 1,172 employees and 150 additional hours in other courses relating to OHS;
- Business activities coordinated with 1,209 companies;
- A total of 424 safety inspections of installations, studios and suppliers;
- Health surveillance in the form of 3,122 medical examinations;
- Investigations of all 41 accidents (with and without medical leave) and 14 incidents during the year (nine fewer than in 2018).

The department also carried out the following actions:

- Follow-up audit of the occupational health and safety management system, which earned OHSAS 18001 assurance in 2017;
- Statutory audit of 6&M Producciones y Contenidos Audiovisuales' and I3 Televisión' OHS systems;
- Staging the IV Road Safety Week at Atresmedia;
- Launch of the specific health campaign *Otorrinolaringología*.

There were five accidents with sick leave in 2019, involving one man and four women. Absenteeism hours totalled 198,720, with an absenteeism rate of 4.58 (proportion of medical leaves due to occupational accident or temporary disability) and 4.41 for non work-related illnesses. The accident frequency rate was 1.15 (1.76 for women and 0.48 for men) with a severity rate of 0.1 (0.13 for women and 0.07 for men). There were no work-related illnesses during the year. Accident figures are provided by the joint prevention service and do not include Atresmedia Studios' 37 employees, who are outside the scope of these figures.

	No. of occupational accidents with medical leave (excluding going to and from work)			Employee absenteeism rate			Hours of absenteeism		
	TOTAL	Women	Men	TOTAL	Women	Men	TOTAL	Women	Men
2018	6	3	3	3.41	4.30	2.47	117,880	76,736	41,144
2019	5	4	1	4.58	5.77	3.27	198,720	130,800	67,920
% Chg, YOY	-16.67	33.3	-66.66	34.1	34.1	32.8	68.6	70.5	65.1
	Absenteeism rate due to common illness			Accident frequency rate			Serious accident frequency rate		
	TOTAL	Women	Men	TOTAL	Women	Men	TOTAL	Women	Men
2018	3.14	4	2.23	1.74	1.68	1.8	0.17	0.12	0.23
2019	4.41	5.63	3.07	1.15	1.76	0.48	0.10	0.13	0.07
% Chg, YOY	40.2	40.6	38.04	-33.7	4.9	-73.2	-41.17	3.71	-67.4

## 6.4 On suppliers, producers and distributors

Atresmedia draws a distinction between suppliers of content and suppliers of other goods and services needed for its business.

		2018	2019	% Chg, YOY
Suppliers of goods and services	Spending on purchases (EUR million)	71.61	<b>72.07</b>	0.64
	Number of suppliers	1,313	<b>1,471</b>	12.03
	% of national suppliers	94	<b>94</b>	0.00
	% of purchases from national suppliers	93	<b>94</b>	0.00
		2018	2019	
Content providers	Spending on purchases (EUR million)	486.1	<b>470.7</b>	-3.27
	No. of production companies	25	<b>31</b>	19.35
	No. of contents (programmes and series)	97	<b>71</b>	-26.8
	No. of distributors	68	<b>61</b>	-11.48
	No. of bids received	168	<b>161</b>	-4.35
	% of Spanish distributors	32	<b>36</b>	11.11

Atresmedia has a Corporate Procurement Policy and department that guarantee transparency when negotiating with suppliers of the goods and services the Atresmedia Group needs to carry on its business. Atresmedia includes clauses in all its arrangements to promote environmental and social responsibility by its chosen suppliers. Moreover, Atresmedia closely monitors suppliers that work at its facilities, checking that they comply with their tax and employment obligations.

The existence of a company-wide procurement policy and department ensures:



The General Corporate Responsibility Policy was updated in 2019 with a revision of the corporate responsibility clause included in contracts with the three classes of suppliers. The new clause included "employee equality and respect for human and labour rights" and the non-acceptance of "allowing any discrimination based on gender, race, sexual orientation, religious belief, political opinion, nationality, social origin, disability or any other circumstance likely to be a source of discrimination".

Regarding respect for the environment, suppliers undertake a commitment to *"pay special attention to the direct and indirect environmental impact of their facilities, operations and employees to minimise the environmental risks arising from their activity, to combat climate change and to promote the efficient use of energy and resources."* No supplier audits were carried out in 2019.

Aside from its suppliers of goods and services, Atresmedia also does business with producers and distributors as a core element of its business. All of them must also comply with the same principles enshrined in the General Corporate Responsibility Policy by signing a clause that requires them to respect the Group's values. This clause refers specifically to conveying the Company's values through series or programmes made in partnership with content producers.

Where the argument of the series or programme allows, the parties undertake to consider including plots and/or content related to social impact, e.g. normalising disabilities, promoting diversity and equality, raising awareness against gender violence, or respecting human and fundamental rights. They are equally committed to facilitating accessibility by people with disabilities to content.

In 2019, the Company worked with 25 television programme and 6 series producers on a total 71 television contents. Moreover, 61 of the 161 proposals for broadcasting content received from distributors were accepted. Of these, 37% were Spanish distributors.

In its dealings with production companies, Atresmedia Televisión hand picks and controls all the content it produces and broadcasts, thus ensuring that all of its products reflect the Group's values and meet the necessary standards of quality. It also works hard to ensure the safety of third-party workers in cases where the production company works directly on the premises of Atresmedia. The Content Committee sees to it that these values are applied across the entire content creation process.

Meanwhile, the Production department reflects these commitments in the contracts signed with producers who supply the content in order to protect the authorship of the formats purchased. When dealing with producers, Atresmedia enforces strict compliance with applicable law on occupational health and safety, sector-specific agreements and any other law or regulation that may apply. This includes the protection of human rights and especially the rights of children when they are involved in Group programmes or series.

## 6.5 On the natural environment

Though Atresmedia's activities have a relatively limited environmental impact, in line with the precautionary principle, the Company has had an Environmental Policy since 2010. The policy was updated in 2019 and enshrines the Company's commitment to environmental protection through the following courses of action:

- Improving energy efficiency
- Ensuring the responsible management of resources
- Reducing the generation of waste and emissions
- Raising awareness among employees and society about the need for environmentally responsible behaviour

The policy was updated in 2019 to adapt to new environmental requirements and help deliver Sustainable Development Goal 13 on Climate Action. This commitment is also enforced on our suppliers, with which Atresmedia works jointly to minimise the environmental impact of the supply chain, and covers management of the events organised by the Group.

The key achievement on this front in 2019 was the company-wide environmental strategy designed by Atresmedia. Based on the Group's current situation, an industry analysis and the requirements of the CDP (Carbon Disclosure Project) report and the TFCD (Task Force Climate related financial Disclosure), the strategy considers the areas of governance, climate risk management, metrics and objectives to draw up its lines of action.

As a result of this strategy, Atresmedia has designed the following courses of environmental action:

- Extending the Scope 3 calculation
- Providing training on climate change
- Setting emission-reduction targets
- Acquiring 100% renewable energy
- Certifying suppliers

More than just actively taking care that its facilities, operations and employees have as little a negative environmental impact as possible, Atresmedia believes that the best way it to can help protect the environment is by making society more aware of the issue and informing the public of the important role each of us plays in this process. To do so, Atresmedia relies on the broadcasting might of its many communication channels to help protect the environment, by broadcasting news programmes, reports and awareness campaigns on the subject.

To continue improving its environmental management, Atresmedia has been a member of the Climate Change and Environment Cluster promoted by Forética since 2015. This platform, made up of 50 companies, aims to lead the strategic positioning against climate change on the business agenda, discuss and share not only opinions, but also best practices, make climate change part of the global debate, and be key agents in government decision-making.

### 6.5.1 Internal management of environmental impacts

Atresmedia's environmental policy's internal management objectives entail improving energy efficiency, managing resources responsibly and reducing waste and emissions. Contributions to these objectives are set below.

	2018	2019	% Chg, YOY
Environmental spend (€) - Expenditure incurred on environmental protection <sup>6</sup>	137,244	<b>356,334</b>	159.64
Total energy consumption (GJ)	133,737	<b>130,246</b>	-2.61
Electricity consumption (kWh)	30,384,914	<b>29,461,067</b>	-3.04

<sup>6</sup> Due to the nature of its operations, Atresmedia does not incur provisions or guarantees for environmental risks, which are minimal.



Percentage of electricity from renewable sources	36%	<b>37.8%</b>	5
Consumption of plain paper (kg)	21,212	<b>23,599</b>	11.25
Water consumption	55,436	<b>50,618</b>	-8.69
Consumption of toner (units)	2,164	<b>1,827</b>	-15.57
Consumption of heating oil (L)	561,807	<b>558,274</b>	-0.63
Gas consumption (m <sup>3</sup> )	11,190	<b>9,361</b>	-16.34
Petrol consumption for transport (L)	24,719	<b>25,340</b>	2.51
Diesel consumption for transport (L)	46,110	<b>46,460</b>	0.76
Scope 1 emissions (tCO <sub>2</sub> e)	1802.9946	<b>1.1789,78</b>	-0.73
• Permanent installations	1632.91	<b>1619.29</b>	-0.83
• Travel in vehicles	170.0846	<b>170.48</b>	0.23
Scope 2 emissions (tCO <sub>2</sub> e) (electricity consumption)	8,845.7410	<b>8,261.17</b>	-6.61
Scope 3 emissions (tCO <sub>2</sub> e) ( <i>see breakdown below</i> )	3,457	<b>167,963.31</b>	4,758.64
Energy consumption outside of the organization (kWh)	49,236.18	<b>517,696.25</b>	961.45
Scope 1 emissions intensity	0.85	<b>0.71</b>	-16.45
Scope 2 emissions intensity	4.16	<b>3.27</b>	-21.39
Scope 3 emissions intensity	0.44	<b>69.47</b>	15,112.2
NO <sub>x</sub>	333ppm (limit 1,200)	<b>331ppm (limit 1,200)</b>	-0.60
SO <sub>x</sub>	182 mg/m <sup>3</sup> N (limit 3,400)	<b>274 mg/m<sup>3</sup> N (limit 3,400)</b>	50.55
CO	48 ppm (limit 5,780)	<b>23 ppm (limit 5,780)</b>	-52.08

### Breakdown of Scope 3 emissions

In 2019, in a bid to be more transparent and diligent in its relationship with the natural environment, Atresmedia calculated its Scope 3 emissions for the first time with a specialised consultant. This analysis discovered that five of the 15 categories are not relevant due to Atresmedia's business model and identified the real impact of the Company's Scope 3 emissions. The relevant categories and related emissions are as follows.:

GHG Protocol Category	Sources of Scope 3 emissions	Status of assessment	2019 emissions (tCO <sub>2</sub> e)
1	Purchased goods and services	Relevant, calculated	<b>78,313.9</b>
2	Capital goods	Relevant, calculated	<b>4,038.2</b>
3	Energy-related activities (not included in scope 1 or 2)	Relevant, calculated	<b>1,893.79</b>
4	Upstream transportation and distribution	Relevant, calculated	<b>298</b>
5	Waste generated in operations	Relevant, calculated	<b>35.2</b>
6	Business travel	Relevant, calculated	<b>3,635.0</b>
7	Employee commuting	Relevant, calculated	<b>3,823.2</b>
8	Leased assets	Relevant, calculated	<b>1,458.1</b>
9	Downstream transportation and distribution	Not relevant	
10	Processing of sold products	Not relevant	
11	Use of products sold by the organization	Relevant, calculated	<b>37,504.7</b>
12	Waste from products sold by the organization	Not relevant	
13	Assets leased to the organization	Not relevant	
14	Franchises	Not relevant	
15	Investments	Relevant, calculated	<b>36,963.1</b>
<b>TOTAL</b>			<b>167,963.1</b>

Atresmedia's effort in 2019 to preserve the environment amounted to EUR 356,334 (up 260% from 2018), allocated to the following projects:

- Disposal of plastic bottles, spoons and trays in the cafeteria by water sources and their replacement with biodegradable bottles and wooden spoons and trays.
- Changing existing kitchen equipment for more modern and efficient devices (category A).
- Installation of LED lights (6,000 units)

- Installation of eight electric car recharging points
- Two studies on the installation of photovoltaic energy on roofs and at the electric car recharging points.
- Continuation of the polyurethane on rooftop project, the replacement of chillers and cooling towers, and the installation of solar filters on windows.

Atresmedia does not carry out operations in any protected areas. Therefore, the Group has no impact on biodiversity, so this topic not material for the Company and there are no related lines of action. Food waste is not a material issue because of the Group's business model, so there are no related policies or monitoring indicators.

### Energy efficiency: consumption

Efficient energy use is a priority environmental concern for Atresmedia, and every year the Group makes new actions and initiatives part of its daily operations. In 2019, Atresmedia continued to implement its five-year plan to replace its chillers with new, more energy-efficient equipment. Further measures to increase energy efficiency included its decision to replace some 6,000 luminaires in offices with other lights featuring LED technology preventive maintenance on all infrastructure with 24-hour on-site personnel and to ensure closer control of time slots for using sets and associated areas. The Technical Management area replaced the lighting installed until 2019 on Set 4 with new LED lighting.

Atresmedia's consumption of fossil fuels in heating and gas decreased significantly in 2019 compared to 2018 (by 16.34%). The reduction in gas consumption was due to the change of equipment used in the Company's kitchen for more efficient equipment. The amount of petrol and diesel for transport consumed rose slightly, by 2.51% and 0.76%, respectively, due to increased activity of mobile radio units.

### Reducing emissions

In line with its unwavering commitment to reduce environmental impact, Atresmedia is working on lowering the greenhouse gas (GHG) emissions by using renewable energy and setting targets to measure, monitor and report its carbon footprint. A key measure is the travel policy, which prioritises train travel over air travel for medium-distance trips, and promotes the use of electric vehicles, teleworking, or investment in videoconferencing equipment to conduct meetings remotely and avoid unnecessary travel.

Atresmedia releases an annual climate change report (CDP), in which it provides transparent information on its environmental performance.

In 2019, Atresmedia obtained a rating of C in this report and a B- in the Supplier Engagement category.

For the first time, in 2019 Atresmedia extended the calculation of its Scope 3 emissions and began developing the emission reduction plan for 2030. The specific targets of this plan will be set in 2020.

## Responsible management of resources and waste

Atresmedia is fully aware of the importance of using resources responsibly so as to ensure the sustainability of the environment. It therefore strives to minimise consumption and is firmly committed to reuse and recycling.

Atresmedia mainly consumes resources at its offices and mostly paper and toner. For more efficient use and better management of waste, Atresmedia is working on an employee awareness training programme through specialist manager, CESPA, which is scheduled to be rolled out in 2020. All our water consumption comes from the public grid and is for domestic use. The largest amount is consumed at our headquarters.

Some products generate hazardous waste when they are used and reach the end of their life. At Atresmedia, these are mainly computer equipment, technical equipment or toners, which are treated by authorised waste management companies and reused or recycled wherever possible. For instance, all used toner cartridges are recycled thanks to an agreement reached with the APADUAM foundation, which works on the social inclusion and labour integration of functionally diverse people. Lamps, fluorescent tubes and batteries are also treated by a waste manager and battery recycling bins have been set up in the offices. As for non-hazardous waste such as paper and cardboard, Atresmedia has an on-site cardboard baler and blue recycling containers to help recycle this type of waste. The containers are then collected and managed by an authorised disposal company.

While given its business model, waste management and the circular economy are not material topics for the Group, Atresmedia monitors information related to waste management.

		2018	2019	% Chg, YOY
<b>Non-hazardous waste</b>	Paper and cardboard (t)	63	61	-3.2%
	Construction waste (m <sup>3</sup> )	14,605	128	-99.1%
	Solid urban waste (t)	368	315	-14.4%
<b>Hazardous waste</b>	Televisions (units)	35	48	37.1%
	Light bulbs (t)	0.2	0.85	+324.62%*
	Other waste electrical and electronic equipment (WEEE)			
	Batteries (units)	82	312	-3.2%
	Toner (t)	1	1	-99.1%
	Batteries (t)	1	2	-14.4%

[\*] The switch from conventional light bulbs to LEDs this year drove a sharp increase in fluorescent waste .

Atresmedia has launched the internal awareness-raising campaign, called *La última botella* ('the last bottle'), removing plastic water bottles from the employee canteen at the San Sebastian de los Reyes headquarters. This initiative has reduced annual consumption of plastic bottles by around 300,000, which is equivalent to over 2 tonnes of plastic waste generation.

With the *Juntos x el Clima* ('together for the climate') initiative, employees were trained on recycling and reducing plastic to promote sustainable and efficient usage of this resource.

### 6.5.2 Raising social awareness

To improve reporting on the global climate change challenge, Atresmedia signed the Media declaration against climate change spearheaded by Fundación Ecología y Desarrollo (ECODES) in conjunction with Investigación Mediación Dialéctica de la Comunicación Social (MDCS) of the Complutense University of Madrid. This declaration includes key recommendations for improving the quantity and quality of information on climate change in the media and reinforces the Company's commitment to measures that help minimise environmental impact by raising awareness and informing audiences. It provides an editorial working guide for the news and programmes areas.

The Group allotted part of its programming to environmental content in 2019. Highlights included *laSexta's Enviado Especial* programmes covering water scarcity, repopulation or pollution, *laSexta Columna* on waste management or *Emergencia Climática* hosted by Ana Pastor. Antena 3 Noticias aired *La Guerra del Coche* on sustainable mobility and Onda Cero *La Brújula* with a debate on the environment under the framework of the local, regional and European elections. Europa FM also encouraged its listeners to be more sustainable with campaigns like #RespiraEuropaFM, #PrimaveraSinPlásticos, and Otoño Ecológico to choose more environmentally-friendly modes of transport to cars; or #AlertaEco, to speak out against 'environmental black spots' that pollute.

#### **Hazte Eco campaign**

##### **CONTRIBUTION TO THE SDGs:**



**Take urgent action to combat climate change and its impacts.**



**Conserve and sustainably use the oceans, seas and marine resources for sustainable development.**



**Sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss.**

*Hazte Eco* is a campaign associated with the Neox channel. Conceived in 2010, it seeks to raise awareness of environmental issues by championing values that help protect the environment. The initiative aims to bring the public closer to pressing environmental concerns and helps viewers appreciate that their individual efforts add up.

*Hazte Eco* supported the WWF's Earth Hour, with a symbolic gesture of switching off lights for an hour. NEOX dedicated a special show to this initiative that also had online coverage. It was backed by the Group, which turned off the lights of the main façade of its buildings. *Hazte Eco* joined SEO Birdlife's Neighbourhood birds campaign and carried out the *No dejes que las palabras se las lleve el fuego* (don't let words go up in flames) initiative to improve biodiversity and quality of life in cities, and to prevent summer forest fires, respectively, broadcasting ads and disseminating specific content on the [www.hazteeco.es](http://www.hazteeco.es) website.

Hazte Eco's goal for 2020 is to raise public awareness about the consequences of climate change and plastic pollution.

### ***Juntos x El Clima***

After the UN moved the venue for its Climate Summit from Santiago de Chile to Madrid, Atresmedia focused heavily on the event, with special programming on TV, radio, internet and social media offering extensive coverage and analysis of COP25. It also carried out several informative actions on recycling, sustainability in the workplace or reducing plastic use to raise awareness among employees. A corporate image was especially designed for the initiative, called *Juntos x El Clima* ("united for climate").

Antena 3 had special sections in all the news programmes, as well as in *Espejo Público* and *Tu Tiempo*. The Antena 3 Noticias website carried out a special with all the information and several audience participation initiatives to help combat climate change.

laSexta added specific coverage in all its entertainment and current affairs programs, as did all the editions of the news programmes. There was also the premiere of the *Vivir sin plásticos* and the *Enviado Especial 'El país de la transición energética'* and *El país de la proteína* programmes.

Networks catering more to younger viewers, like Neox and Flooxer, invited youths to debate and reflect on climate change through *Tenemos que hablar: Juntos x El Clima*. Elsewhere, Onda Cero, Europa FM and Melodía FM raised awareness among and encouraged listeners to protect the environment by teaching through the *2100: una odisea en la Tierra* podcasts and news specials like *La Brújula* broadcast from IFEMA.

## 7. Requirements of Law 11/20018 on non-financial and diversity information

AREAS	Content	Scope / Boundary	Related GRI standards	Chapter in which it is addressed
<b>Business model</b>	Brief description of the Group's business model, including: 1.) its business environment, 2.) its organisation and structure, 3.) the markets where it operates, 4.) its objectives and strategies, 5.) the main trends and factors that may affect its future development.	Atresmedia Group	102-1 / 102-2 / 102-3 / 102-4 / 102-6 / 102-7	5.2 Business model and strategy
<b>Policies</b>	(b) a description of the policies pursued by the Group in relation to those matters, including;  1.) the due diligence procedures undertaken to identify, measure, prevent and mitigate significant risks and impacts 2.) assurance and control procedures, including the actions taken.	Atresmedia Group	103 Management approaches in each area within the economic, environmental and social dimensions	5.2 Purpose, mission, vision and values / In each section 6.1 On customers and users: advertisers and audience 6.1.1 Audience protection mechanisms
<b>Short-, medium- and long-term risks</b>	The principal risks related to those matters linked to the group's operations including, where relevant and proportionate, its business relationships, products or services which are likely to cause adverse impacts in those areas, and * how the Group manages those risks, * explaining the processes undertaken to detect and assess them in accordance with national, EU-based on international frameworks for each. * Should include information and disclosures on the impacts detected, especially regarding short-, medium- and long-term risks.	Atresmedia Group	102-15	5.5 Risk prevention, control and identification



<b>KPI</b>	<p>Non-financial key performance indicators (KPIs) relevant to the particular business and that meet comparability, materiality, relevance and reliability criteria.</p> <p>* To facilitate comparison of information, both over time and among undertakings, non-financial KPIs that may be applied generally and that comply with European Commission guidelines and Global Reporting Initiative standards shall be taken. The Group must specify in the report the national, EU-based or international framework used for each matter.</p> <p>* Non-financial KPIs should be applied to each section of the non-financial statement.</p> <p>* These indicators should be useful, taking into account the Group's specific circumstances and coherent with the parameters used in the Group's internal risk management and assessment procedures.</p> <p>* In any case, the information presented must be accurate, comparable and verifiable.</p>	Atresmedia Group	General or specific GRI standards of the economic, environmental and social dimensions reported in the following blocks	In each section
<b>Environmental matters</b>	<b>Overall environment</b>			
	<p>1.) Detailed information on the current and foreseeable impacts of the company's operations on the environment including, where appropriate, on health and safety, environmental assessment or certification processes;</p> <p>2.) Resources allocated to preventing environmental risks;</p> <p>3.) Application of the precautionary principle or approach, amount of provisions and guarantees for environmental risks. (e.g. arising from the environmental responsibility law)</p>	Atresmedia Group	103 Management approaches in each area within the environmental dimension	6.5 On the natural environment 6.5.2 Awareness-raising
	<b>Pollution</b>			
	Measures to prevent, reduce or repair carbon emissions that <b>seriously</b> affect the environment; taking into account any type of air pollution specific to an activity, including noise and light pollution.	Atresmedia Group	103 Emissions management approach / Biodiversity	6.5 On the natural environment 6.5.2 Awareness-raising
	<b>Circular economy and waste prevention and management</b>			
	Circular economy	Atresmedia Group	103 Effluents and waste management approach	6.5 On the natural environment 6.5.1 Internal management of

				environmental impacts
	Waste: Waste prevention, recycling and reuse measures, and other forms of waste recovery and removal;	Atresmedia Group		6.5 On the natural environment 6.5.1 Internal management of environmental impacts
	Actions to combat food waste.	Atresmedia Group		6.5 On the natural environment 6.5.1 Internal management of environmental impacts
	<b>Sustainable use of resources</b>			
	Water consumption and water supply in accordance with local limits;	Atresmedia Group	303-1	6.5 On the natural environment 6.5.1 Internal management of environmental impacts
	Consumption of raw materials and measures taken to make more efficient use of them;	Atresmedia Group	103 Materials management approach 301-1	6.5 On the natural environment 6.5.1 Internal management of environmental impacts
	Direct and indirect consumption of energy, measures taken to improve energy efficiency and use of renewable energies.	Atresmedia Group	103 Energy management approach 302-1 / 302-2	6.5 On the natural environment 6.5.1 Internal management of environmental impacts
	<b>Climate change</b>			
	Key aspects of the greenhouse gas emission caused by the Company's activities, including the use of the goods and services it produces;	Atresmedia Group	103 Emissions management approach 305-1 / 305-2 / 305-3 / 305-4	6.5 On the natural environment 6.5.1 Internal management of environmental impacts
	Measures taken to adapt to the consequences of climate change;	Atresmedia Group	103 Emissions management approach	6.5 On the natural environment 6.5.1 Internal management of environmental impacts
	The voluntary medium- and long-term greenhouse gas emission-reduction targets and the measures implemented to achieve them.	Atresmedia Group	103 Emissions management approach	6.5 On the natural environment 6.5.1 Internal management of environmental impacts
	<b>Protection of biodiversity</b>			
	Measures taken to preserve or restore biodiversity;	Atresmedia Group	103 Biodiversity management approach	6.5 On the natural environment 6.5.1 Internal management of environmental impacts
	Impacts caused by activities or operations in protected areas.	Atresmedia Group	103 Biodiversity management approach	6.5 On the natural environment 6.5.1 Internal management of environmental impacts
<b>Social and employee-related matters</b>	<b>Employment</b>			
	Total number and breakdown of employees by gender, age, country and professional classification;	Atresmedia Group	103 Employment management	6.3 On employees > Workforce structure

			approach 102-8 / 405-1	
	Total number and breakdown of types of employment contracts,	Atresmedia Group	102-8	6.3 On employees > Workforce structure
	Average annual number of permanent, temporary and part-time contracts by gender, age and professional category,	Atresmedia Group	102-8 / 405-1	6.3 On employees > Workforce structure
	Number and breakdown of dismissals by gender, age, and professional classification;	Atresmedia Group	401-1	6.3 On employees > Workforce structure
	Average remuneration and trends by gender, age and professional category or equivalent amount; gender pay gap, remuneration for equal positions or average remuneration within the company,	Atresmedia Group	103 Diversity management approach and equal opportunities 405-2	6.3 On employees > Workforce structure
	Average remuneration of directors and managers, including variable remuneration, per diem allowances, severance pay, long-term retirement plans and any other amounts received, broken down by gender,	Atresmedia Group	103 Diversity management approach and equal opportunities 405-1	6.3 On employees > Workforce structure
	Implementation of right to disconnect policies	Atresmedia Group	103 Employment management approach	6.3 On employees > Workforce structure
	Employees with disabilities.	Atresmedia Group	405-1	6.3 On employee > Promoting equality, diversity and work-life balance and avoiding all forms of discrimination
	<b>Work organisation</b>			
	Organisation of working hours	Atresmedia Group	103 Employment management approach	6.3 On employee > Equality, diversity and work-life balance and avoiding all forms of discrimination
	Number of hours of absenteeism	Atresmedia Group	403-2	6.3 On employees > Health and safety
	Measures aimed a facilitating work-like balance and encouraging the equal enjoyment by both parents.	Atresmedia Group	103 Employment management approach	6.3 On employees > Employee benefits / Equality, diversity and work-life balance and avoiding all forms of discrimination
	<b>Health and safety</b>			
	Health and safety conditions in the workplace;	Atresmedia Group	103 Occupational health and safety management approach	6.3 On employees > Overseeing a safe and healthy work environment
	Workplace accidents, in particular their frequency and severity, and occupational diseases, broken down by gender.	Atresmedia Group	403-2 / 403-3	6.3 On employees > Overseeing a safe and healthy work environment

	<b>Social relations</b>			
	Organisation of social dialogue, including procedures for informing and consulting with staff and negotiating with them;	Atresmedia Group	103 Employee-company relationship management approach	6.3 On employees > Guaranteeing human and labour rights
	Percentage of employees covered by a collective bargaining agreement, by country;	Atresmedia Group	102-41	6.3 On employees > Employment relationships
	Status of collective bargaining agreements, particularly in relation to occupational health and safety.	Atresmedia Group	103 Employee-company relationship management approach	6.3 On employees > Guaranteeing human and labour rights
	<b>Training</b>			
	Policies implemented in relation to training;	Atresmedia Group	103 Training and teaching management approach 404-2	6.3 On employees > Training and enabling the professional development of our workforce.
	Total hours of training by professional category	Atresmedia Group	404-1	6.3 On employees > Training and enabling the professional development of our workforce.
	<b>Universal accessibility for people with disabilities</b>	Atresmedia Group	103 Diversity management approach and equal opportunities and non-discrimination	6.3 On employee > Promoting equality, diversity and work-life balance and avoiding all forms of discrimination
	<b>Equality</b>			
	Measures adopted to promote equal treatment and opportunities between men and women;	Atresmedia Group	103 Diversity management approach and equal opportunities	6.3 On employee > Promoting equality, diversity and work-life balance and avoiding all forms of discrimination
	Equality plans (Chapter III of Organic Law 3/2007, of 22 March, on effective equality between men and women), measures adopted to promote employment, protocols against sexual abuse and sexual harassment, integration and university accessibility for people with disabilities;	Atresmedia Group		6.3 On employee > Promoting equality, diversity and work-life balance and avoiding all forms of discrimination
	Policy against all forms of discrimination and, where applicable, diversity management.	Atresmedia Group		6.3 On employee > Promoting equality, diversity and work-life balance and avoiding all forms of discrimination
<b>Human rights</b>	Implementation of due diligence processes in relation to human rights. Prevention of risks of human rights violations and, where applicable, measures to mitigate, management and redress any such violations;	Atresmedia Group	103 Human rights assessment management approach and non-discrimination 102-16 / 102-17	6.2.5 Respect for human rights
	Reported human rights violations;	Atresmedia Group	406-1	6.2.5 Respect for human rights

	Advocacy and compliance with the provisions of fundamental conventions of the International Labour Organization related to safeguarding the freedom of association and the right to collective bargaining;	Atresmedia Group	103 Human rights assessment management approach + Freedom of association and collective bargaining Human rights	6.2.5 Respect for human rights
	The elimination of workplace discrimination and job discrimination;	Atresmedia Group	103 Non-discrimination management approach 406-1	6.2.5 Respect for human rights
	Elimination of forced or compulsory labour;	Atresmedia Group	103 Human rights assessment management approach	6.2.5 Respect for human rights
	Effective abolition of child labour.	Atresmedia Group	Human rights management approach	6.2.5 Respect for human rights
<b>Corruption and bribery</b>	Measures adopted to prevent corruption and bribery;	Atresmedia Group	103 Anti-corruption management approach	5.6 Regulatory compliance
	Anti-money laundering measures,	Atresmedia Group		5.6 Regulatory compliance
	Contributions to foundations and non-profit organisations	Atresmedia Group	413-1	5.6 Regulatory compliance 6.2.4 Fundación Atresmedia 6.2 On society
<b>Society</b>	<b>Commitments of the Company to sustainable development</b>			
	The impact of the company's operations on local employment and development;	Atresmedia Group	103 Local communities management approach and indirect economic impacts 203-1 / 413-1	6. Atresmedia's impact on the environment
	The impact of the company's operations on local communities and in the area;	Atresmedia Group		6. Atresmedia's impact on the environment
	The relationships with key members of local communities and the various forms of engaging them;	Atresmedia Group	102-43 / G4-M6 / G4-M7	6. Atresmedia's impact on the environment
	Association and sponsorship activities.	Atresmedia Group	102-12 / 102-13	6. Atresmedia's impact on the environment
	<b>Outsourcing and providers</b>			
	* Inclusion in the procurement policy of social, gender equality and environmental matters; * Consideration in relationships with suppliers and subcontractors of their social and environmental responsibilities;	Atresmedia Group	103 Procurement practices management approach 102-9 / 204-1 / 414-1 / 308-1	6.4 On suppliers, producers and distributors
	Supervision and audit systems and their findings.	Atresmedia Group		6.4 On suppliers, producers and distributors
	<b>Consumers</b>			

	Consumer health and safety measures;	Atresmedia Group	103 Customer health and safety management approach, marketing and labelling, and customer privacy 417-2 G4-M3 / G4-M4 / G4-M5	6.1 On customers and users: advertisers and audience
	Whistle-blowing systems, complaints received and their resolution.	Atresmedia Group		6.1.1 Audience protection mechanisms 5.5 Risk prevention, control and identification > Management quality
	<b>Tax information</b>			
	Country-by-country earnings obtained Income taxes paid	Atresmedia Group	103 Economic performance management approach	5.6 Regulatory compliance
	Public subsidies received	Atresmedia Group	201-4	5.6 Regulatory compliance

In addition to the contents provided in the preceding table, Atresmedia Corporación de Medios de Comunicación, S.A.'s consolidated non-financial statement includes the following content: 102-5, 102-10, 102-11, 102-14, 102-18, 102-29, 102-30, 102-40, 102-42, 102-44, 102-45, 102-46, 102-47, 102-48, 102-49, 102-50, 102-51, 102-52, 102-53, 102-54, 102-55, 102-56, 201-1 and 206-1.

## 8. GRI content index

Standard	Content	Section
<b>GRI 102: General disclosures</b>		
<b>Organizational profile</b>		
<b>102-1</b>	Name of the organization	Front cover
<b>102-2</b>	Activities, brands, products, and services	5.2 Business model and strategy
<b>102-3</b>	Location of headquarters	4. About this report
<b>102-4</b>	Location of operations	"Business performance and situation of the Group" section of the management report
<b>102-5</b>	Ownership and legal form	5.1 Corporate governance
<b>102-6</b>	Markets served	5.2 Business model and strategy
<b>102-7</b>	Scale of the organization	3. The year at a glance
<b>102-8</b>	Information on employees and other workers	6.3 On employees
<b>102-9</b>	Supply chain	6.4 On suppliers, producers and distributors
<b>102-10</b>	Significant changes to the organization and its supply chain	4. About this report
<b>102-11</b>	Precautionary Principle or approach	6.5 On the natural environment
<b>102-12</b>	External initiatives	5.2 Atresmedia's purpose, mission, vision and values
<b>102-13</b>	Membership of associations	5.2 Atresmedia's purpose, mission, vision and values
<b>Strategy</b>		
<b>102-14</b>	Statement from senior decision-maker	1. Letter from the Chairman 2. Message from the Chief Executive Officer
<b>Ethics and integrity</b>		
<b>102-16</b>	Values, principles, standards, and norms of behavior	5.2 Atresmedia's purpose, mission, vision and values 6.1.1 Audience protection mechanisms
<b>Governance</b>		
<b>102-18</b>	Governance structure	5.1 Corporate governance
<b>102-20</b>	Executive-level responsibility for economic, environmental, and social topics	5.1 Corporate governance
<b>102-29</b>	Identifying and managing economic, environmental, and social impacts	5.5 Risk prevention, control and identification
<b>102-30</b>	Effectiveness of risk management processes	5.5 Risk prevention, control and identification
<b>Stakeholder engagement</b>		
<b>102-40</b>	List of stakeholder groups	6.2 On society
<b>102-41</b>	Collective bargaining agreements	6.3 On employees
<b>102-42</b>	Identifying and selecting stakeholders	6.2 On society
<b>102-43</b>	Approach to stakeholder engagement	6.2 On society
<b>102-44</b>	Key topics and concerns raised	6.2 On society
<b>Reporting practice</b>		
<b>102-45</b>	Entities included in the consolidated financial statements	"Basis of consolidation" section of the annual financial statements
<b>102-46</b>	Defining report content and topic Boundaries	4. About this report
<b>102-47</b>	List of material topics	4. About this report
<b>102-48</b>	Restatements of information	New quantification criteria and measurement methods have allowed restatements of information on training hours, profit before tax by country,



		content providers, toner consumption and scope 3 emissions
102-49	Changes in reporting	There have not been any changes.
102-50	Reporting period	Period from 1 January 2019 to 31 December 2019
102-51	Date of most recent report	The most recent Non-Financial Statement published was for the 2018 financial year
102-52	Reporting cycle	Annual
102-53	Contact point for questions regarding the report	4. About this report
102-54	Claims of reporting in accordance with the GRI Standards	4. About this report
102-55	GRI content index	8. GRI content index
102-56	External assurance	Independent assurance report
<b>Economic disclosures</b>		
<b>GRI 103: Management approach</b>		
103-1	Explanation of the material topic and its Boundary	5.2 Business model and strategy
103-2	The management approach and its components	5.2 Business model and strategy
103-3	Evaluation of the management approach	5.2 Business model and strategy
<b>GRI 201: Economic performance</b>		
201-1	Direct economic value generated and distributed	3. The year at a glance
201-4	Financial assistance received from government	5.6 Regulatory compliance
<b>GRI 203: Indirect economic impacts</b>		
203-1	Infrastructure investments and services supported	6.2 On society
<b>GRI 204: Procurement practices</b>		
204-1	Proportion of spending on local suppliers	6.4 On suppliers, producers and distributors
<b>GRI 206: Anti-competitive behavior</b>		
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	5.5 Risk prevention, control and identification
<b>Social disclosures</b>		
<b>GRI 103: Management approach</b>		
103-1	Explanation of the material topic and its Boundary	6. Atresmedia's environmental approach
103-2	The management approach and its components	6. Atresmedia's environmental approach
103-3	Evaluation of the management approach	6. Atresmedia's environmental approach
<b>GRI 401: Employment</b>		
401-1	New employee hires and employee turnover	6.3 On employees
<b>GRI 403: Occupational health and safety</b>		
403-2	Types of accident and accident frequency rates, work-related illnesses, days lost, absenteeism and number of deaths due to occupational accident or illness	6.3 On employees
<b>GRI 404: Training and education</b>		
404-1	Average hours of training per year per employee	6.3 On employees
404-2	Programs for upgrading employee skills and transition assistance programs	6.3 On employees
<b>GRI 405: Diversity and equal opportunities</b>		
405-1	Diversity of governance bodies and employees	5.1 Corporate governance 6.3 On employees

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<b>GRI 406: Non-discrimination</b>		
<b>406-1</b>	Incidents of discrimination and corrective actions taken	6.3 On employees
<b>GRI 413: Local communities</b>		
<b>413-1</b>	Operations with local community engagement, impact assessments, and development programs	6.2 On society
<b>GRI 414: Supplier social assessment</b>		
<b>414-1</b>	New suppliers that were screened using social criteria	6.4 On suppliers, producers and distributors
<b>GRI 417: Marketing and labeling</b>		
<b>417-2</b>	Incidents of non-compliance concerning product and service information and labeling	6.1 On customers and users: advertisers and audience
<b>Environmental disclosures</b>		
<b>GRI 103: Management approach</b>		
<b>103-1</b>	Explanation of the material topic and its Boundary	6.5 On the natural environment
<b>103-2</b>	The management approach and its components	6.5 On the natural environment
<b>103-3</b>	Evaluation of the management approach	6.5 On the natural environment
<b>GRI 301: Materials</b>		
<b>301-1</b>	Materials used by weight or volume	6.5 On the natural environment
<b>GRI 302: Energy</b>		
<b>302-1</b>	Energy consumption within the organization	6.5 On the natural environment
<b>302-2</b>	Energy consumption outside of the organization	6.5 On the natural environment
<b>GRI 303: Water</b>		
<b>303-1</b>	Water withdrawal by source	6.5 On the natural environment
<b>GRI 305: Emissions</b>		
<b>305-1</b>	Direct (Scope 1) GHG emissions	6.5 On the natural environment
<b>305-2</b>	Energy indirect (Scope 2) GHG emissions	6.5 On the natural environment
<b>305-3</b>	Other indirect (Scope 3) GHG emissions	6.5 On the natural environment
<b>305-4</b>	GHG emissions intensity	6.5 On the natural environment
<b>GRI 308: Supplier environmental assessment</b>		
<b>308-1</b>	New suppliers that were screened using environmental criteria	6.4 On suppliers, producers and distributors
<b>Sector-specific guidance disclosures</b>		
<b>G4-PR-M3</b>	Actions taken to improve adherence to content creation values and results obtained	6.1 On customers and users: advertisers and audience
<b>G4-PR-M4</b>	Actions taken to improve performance in relation to content dissemination issues and results obtained	6.1 On customers and users: advertisers and audience
<b>G4-PR-M5</b>	Number and nature of responses (feedback/complaints) related to content dissemination, including protection of vulnerable audiences and informed decision making and accessibility, and processes for addressing these responses.	6.1 On customers and users: advertisers and audience
<b>G4-PR-M6</b>	Methods to interact with audiences and results	6.1 On customers and users: advertisers and audience
<b>G4-PR-M7</b>	Actions taken to empower audiences through media literacy skills development and results obtained	6.1 On customers and users: advertisers and audience

## 9. Historical figures at a glance

Financial dimension	2016	2017	2018	2019
Total net revenue (€ million)	1,021.1	1,052.10	1,042.30	1,039.4
Revenue from advertising	N/A	91%	91%	87.71%
Revenue from other sources	N/A	9%	9%	12.29%
EBITDA (€ million)	202	202.14	187.15	183.68
Net profit (€ million)	129.1	142.11	88.18	118.03
Economic value distributed (€ million)	738.7	865.4	778.57	783.27
Tax credit and government aid received (€ million)	7.8	10.57	10.30	13.9
Advertising cost-to-income ratio	1.55	1.56	1.48	1.55
No. of production companies	30	24	25	31
Number of suppliers of goods and services	1,245	1,302	1,313	1,471
Average viewership share - Antena 3 Televisión (%)	12.8	12.3	12.3	11.7
Average viewership share - laSexta (%)	7.1	6.8	6.9	7
Average viewership share - Neox (%)	2.5	2.5	2.4	2.4
Average viewership share - Nova (%)	2.2	2.2	2.4	2.2
Average viewership share - MEGA (%)	1.8	1.85	1.6	1.5
Average viewership share - Atreseries (%)	0.8	1.1	1.2	1.4
Number of listeners - Onda Cero	1,920,000	2,000,000	2,000,000	1,948,000
Number of listeners - Europa FM	1,947,000	1,800,000	1,500,000	1,300,000
Number of listeners - Melodía FM	286,000	300,000	233,000	197,000
Number of unique visitors of Atresmedia websites (million)	12.2	27	21.2	24.4
Number of directors	13	13	12	12
Number of independent directors	4	4	4	4
Number of women directors	4	4	4	4

Environmental dimension	2016	2017	2018	2019
Investment in the environment (€)	120,495	140,082.0	137,244.0	356,334
Consumption of plain paper (kg)	26,813	25,275.0	21,212	23,599
Water consumption (m3)	49,607	60,464.0	55,436.0	50,618
Consumption of toner (units)	1,030	1,063.0	2,164	1,827
Consumption of heating oil (L)	481,056	439,954.0	561,807.0	558,274
Electricity consumption (kWh)	29,622,523	30,019,091.0	30,384,914.0	29,461,067
Gas consumption (m³)	12,365	10,227.0	11,190.0	9,361
Petrol consumption for transport (L)	15,687	27,575.0	24,719.0	25,340
Diesel consumption for transport (L)	48,477	41,394	46,110	46,460
Score under the CDP	C*	C	C	C

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Social dimension	2016	2017	2018	2019
Cumulative hours of subtitling and closed captioning	36,156	37,286.0	42,076.6	42,109.35
Number of employees	2,022	2,089	2,127	2,527
% of women on the workforce	49.5%	50.45%	51.06%	52.04%
Investment in training (€)	727,308	641,473	733,421.5	594,594
Training hours per employee	22	21	15	15
Hours of corporate volunteering donated to the community	2,533	2325	2136	1,910
Foundation revenue contributed by Atresmedia (€)	500,000	500,000	500,000	500,000
Infringements on the Code on Self-Regulation	3	0	2	1
Number of copy advice requests made to Autocontrol	1,028	1,257	1,593	1,613
Opportunity cost of granting free promotional space on television for non-profit organisations (€)	9,325,630	8,273,575	9,708,600	9,051,163
Opportunity cost of granting free advertising space on the radio for non-profit organisations (€)	2,643,127	1,889,610	4,084,600	5,804,490
Opportunity cost of granting free advertising space on the website for non-profit organisations (€)				73,455.24

## 10. Non-financial dashboard

	Material topic	Indicator	2019
Corporate governance	Governance model	GC 1 Level of compliance with the Code of Good Governance for Listed Companies (%)	98% Atresmedia complies with 59 of the 60 recommendations applicable to it
	Regulatory compliance	GC 3 Penalties for non-compliance with LGCA regulations	2 cases 1 infraction
	Regulatory compliance	GC 4 Penalties for other applicable non-compliance (number and amount)	0 penalties

	Material topic	Indicator		2019
Human Resources	Job stability	HR 2	Percentage of permanent contracts	84%
	Equality	HR 3	Gender pay gap	Executives: 32.66% Technicians: 11.98% Administrative: -2.02% Other: 0.58% Average: 32.45%
	Talent management	HR 4	Investment in training	595,594
	Job satisfaction	HR 5	Voluntary turnover rate	12.35%
	Diversity	HR 6	Percentage of new hires by gender	56% women
	Diversity	HR 7	% women in management positions	33%
	Diversity	HR 8	% of employees with disabilities	45 employees

	Material topic	Indicator		2019
Society	Impact on society of content dissemination	S 1	Average viewership share - Atresmedia Televisión	26.2%
		S 2	Listeners - Atresmedia Radio	3,500,000 million
		S 3	Average number of unique users	24.4 million
	Impact of operations on society	S 4	Economic value distributed	783.8 million
	Content accessibility	S 5	Percentage of subtitled programmes	93.7%
	Space related to topics of social relevance	S 6	Value of advertising space donated to non-profits	€14.9 M
	Contribution to the community	S 7	Voluntary work hours donated	1,910 hours

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	Material topic	Indicator		2019
Innovation	Advertising service and product innovation	I 3	Advertising innovation projects	See section: Atresmedia Publicidad: committed to innovation and advertisers
	Use of new technologies for content distribution	I 4	Approved investment in technological innovation projects	€7,082,770
	Support to entrepreneurship	I 5	Number of startups with ongoing investment	15



**Atresmedia Corporación de Medios  
de Comunicación, S.A. and subsidiaries**

Independent Verification Report  
31 December 2019





*This version of our report is a free translation of the original, which was prepared in Spanish. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.*

## Independent Verification Report

To the shareholders of Atresmedia Corporación de Medios de Comunicación, S.A.:

Pursuant to Article 49 of the Code of Commerce, we have verified, under a limited assurance scope, the accompanying CONSOLIDATED NON-FINANCIAL STATEMENT ("CNFS") for the year ended 31 December 2019 of Atresmedia Corporación de Medios de Comunicación, S.A. (the Parent company) and subsidiaries ("Atresmedia") which forms part of Atresmedia's Consolidated Management Report ("CMR") for the fiscal year 2019.

The content of the CNFS includes additional information to that required by current commercial legislation on non-financial reporting which has not been covered by our verification work. In this respect, our work has been restricted solely to verifying the information identified in the "Requirements of Law 11/2018 on non-financial and diversity information" and "GRI content index" tables included in the accompanying CNFS.

### Responsibility of the Directors of the Parent Company

The preparation of the CNFS included in Atresmedia's CMR and the content thereof are responsibility of the board of directors of Atresmedia Corporación de Medios de Comunicación, S.A. The CNFS has been drawn up in accordance with the provisions of current commercial legislation and with the Sustainability Reporting Standards of the Global Reporting Initiative ("GRI Standards") in accordance with the Core Option and the Media Sector Disclosures of the G4 Guide of GRI (hereinafter the Media Sector Supplement) in line with the details provided for each matter in the "Requirements of Law 11/2018 on non-financial and diversity information" and "GRI content index" tables included in the accompanying CNFS.

This responsibility also includes the design, implementation and maintenance of the internal control that is considered necessary to ensure that the CNFS is free from material misstatement, due to fraud or error.

The directors of Atresmedia Corporación de Medios de Comunicación, S.A. are also responsible for defining, implementing, adapting and maintaining the management systems from which the information required to prepare the CNFS is obtained.

### Our independence and quality control

We have complied with the independence requirements and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants ("IESBA") which is based on the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies the International Standard on Quality Control 1 (ISQC 1) and therefore has in place a global quality control system which includes documented policies and procedures related to compliance with ethical requirements, professional standards and applicable legal and regulatory provisions.

The engagement team has been formed by professionals specialized in non-financial information reviews and specifically in information on economic, social and environmental performance.

### Our responsibility

Our responsibility is to express our conclusions in an independent limited assurance verification report based on the work carried out. Our work has been aligned with the requirements set by the current International Standard on Assurance Engagements (ISAE) 3000 Revised, Assurance Engagements Other than Audits or Reviews of Historical Financial Information (ISAE 3000 Revised) issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC) and with the Guidelines for verification engagements on non-financial statements issued by the Spanish Institute of Auditors ("Instituto de Censores Jurados de Cuentas de España").

In a limited assurance engagement, the procedures performed vary in terms of their nature and timing of execution and are more restricted than those carried out in a reasonable assurance engagement. Accordingly, the assurance obtained is substantially lower.

Our work has consisted in posing questions to Management and several Atresmedia Corporación de Medios de Comunicación, S.A. units that were involved in the preparation of the CNFS, in the review of the processes for compiling and validating the information presented in the CNFS, and in the application of certain analytical procedures and review sampling tests, as described below:

- Meetings with Atresmedia Corporación de Medios de Comunicación, S.A. personnel to ascertain the business model, policies and management approaches applied and the main risks related to these matters, and to obtain the information required for the external review.
- Analysis of the scope, relevance and integrity of the contents included in the CNFS for 2019, based on the materiality analysis carried by Atresmedia and described in the section "About this report" of the CNFS, and considering the content required under current commercial legislation.
- Analysis of the procedures used to compile and validate the information presented in the CNFS for 2019.
- Review of information concerning risks, policies and management approaches applied in relation to material issues presented in the CNFS for 2019.
- Verification, through sample testing, of the information relating to the content of the CNFS for 2019 and its adequate compilation using data supplied by the sources of information.
- Obtainment of a management representation letter from the directors and the management of the Parent company.

## Conclusions

Based on the procedures performed and the evidence we have obtained, no matters have come to our attention which may lead us to believe that the CNFS of Atresmedia Corporación de Medios de Comunicación, S.A. and its subsidiaries for the year ended 31 December 2019 has not been prepared, in all of their significant matters, in accordance with the provisions of current commercial legislation and with the GRI Standards in accordance with the Core Option and the Media Sector Disclosures of the G4 Guide of GRI, in line with the details provided for each matter in the “Requirements of Law 11/2018 on non-financial and diversity information” and “GRI content index” tables included in the accompanying CNFS.

## Use and distribution

This report has been drawn up in response to the requirement laid down in current Spanish commercial legislation and therefore might not be suitable for other purposes or jurisdictions.

PricewaterhouseCoopers Auditores, S.L.

Original in Spanish signed by Pablo Bascones

26 February 2020