

## **THE SPANISH ECONOMY IN 2020**

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

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

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

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

### ORGANISATIONAL STRUCTURE

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

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

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

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

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

### THE TELEVISION BUSINESS IN 2020

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

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

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

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

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

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

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

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

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

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

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

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

## **DIVIDENDS AND TREASURY SHARES**

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

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

## **INVESTMENTS IN RIGHTS AND CINEMA**

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

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

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

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

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

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

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

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

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

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

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

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

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

## **INTERNET**

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

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

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

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



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

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

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

### **TREASURY SHARES**

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

### **PAYMENTS TO SUPPLIERS**

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

### **MEDIASET ESPAÑA SHARES**

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

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

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

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

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

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

## **CORPORATE GOVERNANCE**

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

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

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



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

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

### **HEDGING OF FINANCIAL RISKS**

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

### **RISK CONTROL**

The Company's risk management policy is described in Note 8.3 to the accompanying Annual Report.

### **RESEARCH AND DEVELOPMENT**

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

### **ENVIRONMENTAL MATTERS**

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

### **SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD**

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

### **CAPITAL STRUCTURE**

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

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

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

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

### **OUTLOOK FOR THE COMPANY'S BUSINESS DEVELOPMENT**

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

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

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

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

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

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

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

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

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

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

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

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

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