

Mediaset España Comunicación, S.A. and Subsidiaries

Consolidated Management Report for the year ended December 31, 2021
(In thousands of euros)

THE SPANISH ECONOMY IN 2021

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

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

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

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

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

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

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

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

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

ORGANISATIONAL STRUCTURE

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

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

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

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

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

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THE TELEVISION BUSINESS IN 2021

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

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

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

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

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

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

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

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

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

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

DIVIDENDS AND TREASURY SHARES

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

INVESTMENTS IN RIGHTS AND CINEMA

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

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

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

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

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

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

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

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

INTERNET

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

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

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

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

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

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

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

TREASURY SHARES

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

PAYMENTS TO SUPPLIERS

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

MEDIASET ESPAÑA SHARES

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

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

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

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

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

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

CORPORATE GOVERNANCE

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

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

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

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

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

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

HEDGING OF FINANCIAL RISKS

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

RISK CONTROL

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

RESEARCH AND DEVELOPMENT

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

ENVIRONMENTAL MATTERS

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

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

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

CAPITAL STRUCTURE

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

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

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

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

OUTLOOK FOR THE COMPANY'S BUSINESS DEVELOPMENT

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

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

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

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

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

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

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

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

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

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

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

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

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