THE SPANISH ECONOMY IN 2016

Information on economic performance at the date of the preparation of these consolidated financial statements indicates that during 2016, Spain grew 3.2% (the same as last year), doubling the growth percentage of the European Union (1.6% according to available data); therefore, Spain's economy is one of the fastest growing in the Eurozone, and performing better than other larger economies. Thanks to these figures, Spain's GDP has bounced back around 80% (in real terms) from the losses during the years of the crisis, and nearly 100% when discounting inflation.

The UK and Germany are the countries with the biggest growth during the year, with a rise of 2.0% each, while France advanced 1.3%; without a doubt Italy has been the most sluggish of European economies, with a growth of just 0.9%.

In quarter-on-quarter terms, the last quarter of 2016 reflected a 0.7 point rise, quite notable and in line with growth during previous quarters, also passing the overall average of the EU during the period, 0.5 points, which reflects a slight acceleration vs. data from the previous quarter (0.4 points), likely the result of increasing domestic demand.

Although definitive data for the year still not in, globally the year was not particularly expansive: the US economy only advanced 1.6% due to the poor performance during the first few months of the year. The GDP (especially regarding consumption) seemed to be gaining traction during the final part of the year; as mentioned previously, Europe is the fastest growing area based on recent macroeconomic data, as well as trusted indices.

Emerging countries did not provide terribly good news during 2016: the turmoil in China during the summer of 2015 seems to be over, growing at a pace which might seem slow as regards its size, but always over 6%, while Brazil and Argentina should continue their downward growth spirals. Until now, Mexico registered growth which although not particularly spectacular, was stable; however, dark clouds are forming due to the anti-migration tactics announced by the newly-elected US President.

At the date of the preparation of these financial statements, and ignoring the unpredictable effects of the open electoral processes in Europe, it seems likely that 2017 will witness the reactivation of the US economy on the back of policies announced my Donald Trump (tax reductions, expanding public expenditure), whose weak point is determining how to finance the inevitable public deficit within a framework of expansive tax policies. It is likely that all the above will be accompanied by an increase in interest rates by the Federal Reserve.

In Europe, estimates indicate a growth of around 2% on average, which is clearly insufficient to permit the Central European Bank to relax its expansive monetary policies; in any case, positive inflation seems to be on the horizon.

With regard to Spain, and unless unforeseeable external events arise, growth should be 2.5%, predominantly of internal demand, singularly in private consumption. The external sector should continue reflecting the same resistance and strength characterizing it recently, but inflation rates should be closely observed, as they are now currently positive. Attention should be paid to the public deficit and compliance (or lack of) with limits established by the European Union, and the consequences of overstepping them.

Employment during the year remained positive (although with temporary contracts predominating), and it seems likely that it will continue improving due to the economic recovery. However, its precariousness (and corresponding impact on disposable income) and lingering joblessness well over other European countries call for a much more intense recovery and entrenchment.

THE TELEVISION INDUSTRY IN 2016: ANOTHER YEAR IN THE RECOVERY CYCLE

As reflected in the 2015 Management Report, the investment in TV advertising space grew 6.4%, well under the 10.9% of the previous year. Sequentially, this indicated a more positive performance at the beginning of the year, explained by the increasingly demanding comparisons with prior years, and also because TV advertising took off about six months before the overall Spanish economy did, creating a shift in the comparison bases as the cycle progressed.

The abovementioned is applicable to events taking place in 2016: the TV advertising market grew a bit less that last year (5.5% is the estimate, since definitive data is not available), with growth higher during the first part of the year (especially during the second quarter), with growth much more moderate during the second half.

During the year two very specific situations took place, the first external: political uncertainty which did not disperse until the end of the year, and, within the context of a favorable macroeconomic environment and therefore, heartening advertising perspectives, with advertisers carefully planned their campaigns with new electoral rounds in mind. The other is specific to the sector, a tactical approach by advertising investors during campaign planning, reflected in a more pronounced market volatility both in monthly and quarterly terms. Advertising contracts are no longer arranged from one month to another, based on the expectations of each advertiser of a higher return on investment, but with a positive underlying trend.

In any event, once more, TV advertising demonstrated its strength in the overall market, increasing its presence to 40.5%, all despite the growing predominance of online advertising; both platforms are potentially convergent and non-exclusive as regards advertiser penetration targets.

This upward shift is thanks to TV consumption, which is measured in minutes by spectator and day: although it dropped to historic lows during mid-2013, and had clearly been inflated by the economic downturn, it still posted some of the highest figures in the business. This was a year in which investment showed a continuing remarkable recovery, and is without a doubt an indication of the medium's excellent health as a commercial communications tool.

The recovery of the advertising market is mainly the result of the partial recovery of prices which had shot downward, and with little or no hope of continuity with regard to the highs reached in 2007(50% until 2013), and by the end of 2016 some 20% will have been recovered since maximum highs during the year.

Based on best estimates at the date of the preparation of these financial statements, in 2016 the Mediaset Group captured 43.3% of the average investment in this medium, or 1.2% over data for our main competitor.

With regard to the audience, data for the year (always in terms of Total Day) unequivocally indicate that the Group continues as the indisputable overall leader (30.2%), with a 3.1 point difference with our main competitor, with 27.1% for the group of channels.

These data are also very positive for our main channel (Telecinco), which is still the indisputable leader with 14.4% during the year, 1.6% points ahead of its chief competitor with 12.8%.

Cuatro's audience ratings grew 6.5% points, while the Group's five theme-related channels (Factoría de Ficción, Boing, Divinity, Energy, and BMad) registered a cumulative audience share of 9.2%, or 2 points ahead of our main competitor's channels.

As explained in the 2015 Management report, a tender was held to assign the frequencies withdrawn from the open-air channels due to a Supreme Court ruling which ordered their return as part of the resolution of the tender offer, with the subsequent assignment of channels.

The end result was the assignment of six channels in total, one corresponding to our Group and another to AtresMedia, while the other four (one which is high definition and three standard) were granted respectively to Real Madrid, the Spanish Episcopal Conference, Kiss FM, and Secuoya.

The new channel assigned to the Group (B Mad) began broadcasting at the end of April, 2016, designed as a novel offering of specialized and interactive programming. It endeavors to attract younger Millenial and Youtuber viewers who are active on social media.

In this new panorama, Mediaset España is consolidated with one more channel than AtresMedia, confirming its position in a stable scenario as to the number of operators in the sector after a period marked by uncertainty and turmoil caused by the legal proceedings filed against the prior channel assignation scheme, which is without a doubt magnificent news for the sector.

Comparing the Company's results in 2016 with those of 2015:

- Total operating income rose from 765,398 thousand euros in 2015 to 797,044 thousand euros in 2016, mainly due the increase in advertising revenues.

- Operating expenses increased from 656,164 thousand euros in 2015 to 711,237 thousand euros in 2016.

- Lastly, profit for 2016 attributable to the parent amounted to 147,201 thousand euros, compared to 167,404 thousand euros in 2015.

DIVIDENDS

In 2016, a total of 167,404 thousand euros in dividends were distributed, charged to 2015 results.

INVESTMENT IN AUDIOVISUAL RIGHTS AND FILM PRODUCTION

The Group maintained its policy of investing in audiovisual broadcasting rights, carefully selecting the type of rights and content in order to maintain audience figures in the future and provide the most fertile ground for the advertising business. The Company placed special emphasis once again on investment in Spanish series.

Worth highlighting were the activities undertaken by Telecinco Cinema, a wholly owned subsidiary of the Group charged with film production under the legal requirement of TV concessionaires to earmark 3% of operating revenue for Spanish and European film production.

As investment in film production arises from a legal obligation and not a decision made freely by the network, the Group has opted for quality and ambitious projects based on global strategic criteria guiding its activity in this field. Where possible, it opts for productions of a certain size and scope that are apt for international showing bearing in mind market conditions and the Group's financing capacity, as this obligation outweighs the revenues generated, regardless of the trend and without any consideration to costs incurred or margins commanded.

In short, the aim is to combine financial wherewithal, talent, profitability, and opportunities efficiently for our brightest and most promising professionals in order to maximize the return on investment -in light of global conditions, maximum importance is attached to this- considering that the activity is not voluntary, and to produce films that bring together quality and commercial appeal under the Group's logo.

In line with the fantastic results reaped in 2014, 2015, and 2016, once again this was an extraordinary year, with four productions released, including three films and one documentary.

The first release (March 2016) was "Cien años de perdón," a thriller co-produced in France and Argentina; the plot revolves around a bank robbery. With over a million spectators and 6.6 million euros in box office earnings, it ranks as the third most popular Spanish film of the year.

"Kiki, el amor se hace" is Paco León's most recent film: a comedy which has become this season's revelation since it was first screened in April, with a 6.2 million euro box office, and over a million spectators, in fifth place of Spanish films during the year.

"Un monstruo viene a verme", J.A. Bayona's new movie, was very well-received by critics and the public alike; his earlier work "The impossible" was the top box office hit of its year, with 26 million euros in returns and over 4.7 million spectators. It surpassed huge foreign productions such as "The Revenant" or "Finding Dory." During the recent Goya awards it won 9 trophies, and is the Spanish film with the most prizes.

"Omega" is a documentary reflecting the process for gestating and recording Enrique Morente's album of the same name recorded with the punk band "Lagartija Nick," and was this year's most recent release, winning a Goya nomination in the category of Best Documentary.

Thanks to the above activity, for the second consecutive year, Spanish films attracted over 18 million spectators with an 18% share of the market, all very heartening signs for Spain's film industry.

Telecinco Cinema has four new releases planned for 2017, which should be as noteworthy as their predecessors.

The first film to be released is "Es por tu bien" at the end of February.

"Tadeo Jones 2" represents the return to the screen of this popular animated figure, whose first film was a big success.

Subsequent to the above is "Arrowbone," a thriller in English directed by Sergio G. Sanchez, followed by "Perfectos desconocidos," a new Alex de la Iglesia comedy.

During 2017, filming started on other movies scheduled for release in 2018 and 2019; these are new projects from top-notch directors such as Daniel Monzón, Javier Ruiz Caldera, or Norberto López Amado. In any case, and has been our trademark, we continue to offer high-quality productions which attract the public in large numbers.

INTERNET

The Group has consolidated its first-place position in digital video consumption, according to Comscore data. Our flagship portals, Telecinco.es, Cuatro.com, Divinity.es and Mitele.es were once again in first place during the year in terms of video minutes watched, with a monthly average of 489 million minutes and 91.6 million videos watched.

These figures duplicate those obtained by our main competitor, and triple those of the next in line, with 252 and 137 million average minutes seen, respectively. Furthermore, as regards the number of videos watched, the Mediaset España Group is also the medium of reference with 91.6 million videos watched on average monthly, 32% higher than data for our main competitor at 69.4 million.

Our Group also leads in terms of loyalty, with a monthly average of 3 hours and 48 minutes/month consumed by each user, which is a clear reflection of the power of our digital content: our platforms are excellent options for planning ad campaigns, as we guarantee a safe and quality environment.

Mediaset España's website also heads its sector when contemplating the average video content downloaded, with an average of 43 reproductions/month vs. 32 for our closest competitor; this data ensures advertising impact and frequency of visualization for each campaign.

Thanks to this growing protagonism of internet video, the Mediaset España Group also leads in terms of minutes consumed by user, according to the Comscore multi-platform, with 1 hour 41 minutes on average for each of the 10.6 million sole monthly users, representing a total of 1,074 million minutes, which places us right behind Spain's largest editorial groups, duplicating our main competitor's number of minutes.

Telecinco.es is now consolidated as the most visited TV site, with 121 million page/video views per month, which is 267% over the equivalent for our main competitor, with just 7.6 million sole monthly users.

Thus, or group of platforms were once again in first place during the year in terms of video minutes watched , with a monthly average of 489 million minutes and 95 million videos watched.

The Mediaset España Group's audiovisual TV and direct content, as well as its short and full videos available on its websites, apps, Mitele platform, and new native video channel mtmad.

Our Group is also prepared to face the challenges of broadcasting its contents on new devices while maximizing the experience. Effectively, in December 2015, MiTele was launched on the market through a new window (Samsung-connected TVs), and in 2017 will do the same with LG; these initiatives are the fruit of the adaptation and acceptance of the non-linear time shift audience-measuring system.

During its first year, MiTele has reached the market with a growing number of smart TVs, connected to 250,000 sole surfers monthly on average during the year, representing quite a qualitative leap from the web and other mobile apps to other platforms with similar excellent development prospects.

During 2016, the platform was updated with cutting-edge multi-bitrate technology which ensures the quality of the content by adapting each user's bandwidth, and includes a personalized list of contents, parental controls, and cross-device resume systems.

Facing Millenials' growing tendency to consume short videos, the Group launched mtmad in November, a new channel for videos with exclusive Internet content within MiTele; this is an innovative space containing over 40 formats, in which new digital talents who express themselves (using their language) through diverse content, including beauty tutorials, exercise routines, docu-realities, humor, etc.

TREASURY SHARES

At December 31, 2015, the Company held 19,476,506 of its own shares, representing 5.32% of share capital in circulation. At December 31, 2016 the entire amount of treasury shares had been redeemed or used to cover pending share options, so that at that date the Company did not have treasury shares.

PAYMENTS TO SUPPLIERS

During 2016, the average payment to the Company's national suppliers was 68 days.

This difference is notable when compared to the maximum stipulated by payment arrears regulations, and is exclusively due to the rigorous control exercised by the Company with regard to mercantile and tax requirements to be met by invoices received, meaning that they are not paid until the incidents detected have not been resolved. The Company scrupulously meets its commitments with regard to legislation aimed at battling late payments.

MEDIASET ESPAÑA SHARE PRICE PERFORMANCE

The performance of the stock market during the year suffered greatly due to the Brexit outcome, representing a before and after the referendum date (June 23). The US elections also exerted a significant effect on market trends.

What followed was a period of sustained growth, all clearly replicated by the outcome of the US presidential elections, which registered a brief drop which then reversed nearly immediately in the direction of constant growth pushing the key stock market indices to record levels.

At year end, top global indices reflected positive trends. The European reference index (EuroStoxx 50) grew 0.7%, among the strongest within sectors such as oil (+16%), raw materials (+9%), and chemical (+5%); those performing worse included food products (-8%), telecommunications, (-8%) and banking (-8%).

The FT100 is the UK's reference index, and performed better than its European counterparts, with a +14% growth. The negative impact of Brexit was soundly offset by the depreciation of the pound sterling, as well as better-performing raw materials. The yearend closing at 7,142 points represents a new historic maximum for the UK.

The German DAX closed out the year with a 7% annual high during the last trading session of the year, while the French Cac40 was the third highest European index in 2016, with a +5% increase. In contrast, although the Italian stock market (FTSEMIB) rallied +14% during the final month of the year, it closed out with an annual drop of 10%, pulled down by the banking sector, to thereby lose all gains during the year 2015.

The Japanese Nikkei marked its fifth consecutive year with an upward increase of 0.4%, totaling an accumulated increase of 126%.

US markets performed quite well, closing at levels similar to historic maximums boosted by the President-elect's expansive infrastructure plans and his discourse on protecting the American economy. The Dow Jones rose 13%, while S&P500 and Nasdaq registered respective 10% and 8% increases at year end.

The Ibex35 is Spain's reference index, and performed better than its European counterparts, with a 2% growth. The year closed at 9,352.1 points and on December 16 reached a maximum high (9,412.8 points), with the minimum registered on June 27 (7,645.5 points). Growth did not surpass the previous year, with the worst moment without a doubt immediately after the Brexit outcome became known.

The uncertainty of the Spanish political environment was a key factor affecting the performance during the year, as the annual low coincided with the results from the General Elections held on June 26. Since then, the index has shot up a noteworthy 22%.

The profitability per dividend of the Spanish stock market was higher than the more relevant indices worldwide, with a 4.5% average.

The Mediaset España shares closed out the year at 11.5 euros, a year-on-year increase of 11%, placing it among the ten highest Ibex35 shares during 2016. The annual minimum was recorded on February 11, with 8.26 euros/share, while the highest occurred on June 7, at 12.01 euros/share, representing a volatile fluctuation of over 45% between the year's minimum and maximum.

The daily average of traded daily securities was 1,600,620, or a 25% drop vs. the prior year; in terms of euros, the daily average was 16,428,399 euros. The total volume of traded Mediaset España shares was 4,222.1 million, with a variation of 1,625 million (-28%) vs. the year before. A total volume of 411.5 shares were traded during 2016, vs. 527.8 during 2015; the difference can be chalked up to the capital decrease approved on April 13 due to a lower amount of shares traded on the market.

At year-end, Mediaset España's market capitalization was 3,754.4 million euros, a 2.2% increase vs. 2015; the spread between the growth of the share (+11%) and capitalization can chiefly be justified by the capital decrease during the year.

Mediaset España's market capitalization is ranked number one nationally among companies in the sector, with a difference of over 1,400 million euros with respect to its direct competitor (Atresmedia), and 29% higher than all sector companies.

Mediaset España once again ranks fourth among European broadcasters, behind ITV, Prosieben, and Mediaset SpA.

CORPORATE GOVERNANCE AND SOCIAL RESPONSIBILITY

Good practice in corporate governance means establishing rules, principles, and incentives at companies that help safeguard the interests of the company and its shareholders, and guarantee greater transparency in management.

Mediaset España's commitment to the regulations and principles of good government has been evident since it first was listed on the market in 2004. Since then, our focus has been on adapting our different regulating bodies to the Code of Good Governance as well as others inexistent until now: our Code of Ethics is obligatory for any natural or legal person collaborating in any and all capacities with us, as well as the Rules of Internal Conduct of Mediaset España Comunicación, S.A. and subsidiaries with regards to the securities market.

This also contemplates a review of the quantitative and qualitative composition of the Board of Directors and the Commissions in order to comply with recommendations in this regard.

Mediaset España Comunicación, S.A. and subsidiaries' Corporate Governance Report, Report on Corporate Responsibility, and Remuneration Policy are approved at its General Shareholders' Meeting, and were verified by independent auditors (PricewaterhouseCoopers) which rated it top among IBEX-35 companies in a study of Corporate Governance compliance, as do other specialized institutions.

HEDGING

The Company uses financial instruments to hedge the impact of foreign exchange differences in connection with transactions (primarily the acquisition of external production rights) denominated in foreign currency. These hedges are designed to offset the impact on the income statement of exchange-rate fluctuations in outstanding amounts payable on these transactions. Specifically, the Group buys foreign currency forward for the amounts payable so as to match the forecast payment dates.

RISK CONTROL

The Company's risk management policies are described in Note 8.3 of the accompanying financial statements.

RESEARCH AND DEVELOPMENT COSTS

The Group's biggest investments go to the current and future content broadcast by the Group. It does not have a specific R&D department, although innovation is one of our crucial areas of development.

EVENTS AFTER THE REPORTING PERIOD

At the date of preparation of these financial statements, no significant events have occurred.

CAPITAL STRUCTURE

The Company's share capital before the capital increases carried out to acquire Cuatro and 22% of Digital+ amounted to 123,320,928.00, made up of 246,641,856 shares of the same class represented by book entries and with a par value of 0.50 euros each. As a result of the abovementioned capital increases, the number of shares increased to 406,861,426 of 0.50 euro par value each, taking the total to 203,430,713 euros. In 2015, a capital decrease of 40,686,142 took place, leaving share capital at 183,088 thousand euros represented by 366,175,284 shares. During 2016, 29,457,794 shares were redeemed, and therefore share capital is 168,359 euros, representative of 336,717,490 shares.All the shares are of the same class and represented by book entries.

The Company's shares are listed on the Madrid, Barcelona, Bilbao, and Valencia stock exchanges. The ISIN code is ES0152503035.

Mediaset España Comunicación, S.A. is a member of the IBEX 35 since January 3, 2005.

BUSINESS OUTLOOK

Our business is mainly dependent on advertising, which in turn is closely and directly linked to private consumption trends and its perspectives, as well as disposable family income and unemployment figures. However, a perspective on how these variables interact must be based on a sufficient period of time; otherwise, results can be misleading.

It therefore seems superfluous to mention that our Group's business in 2017 cannot be extracted from the current macroeconomic environment in which we operate, as well as the correlated figures; we have explained that the economic data for 2016 clearly indicate that Spain is back on track and growing, at the fastest rate in our environment. We must remember, however, that we started out from a worse situation than similar countries, as the impact of the crisis in Spain was comparatively much less devastating, and that the growth is also attributable to external factors (such as the ECB's monetary policies, the price of oil, tax decreases, etc.) the duration of which are not foreseeable.

Authorized economic forecasts consider that the Spanish GDP will reflect a slightly slower growth than during 2016: as the abovementioned favorable tailwinds are now more moderate; however, should predictions prove to be correct, it will be around 2%, and perhaps a bit higher when discussing private consumption, which is the most relevant indicator for open-air TV. The above figure places us as one of the countries with the highest growth in the EU.

Caution should be observed with regard to two factors which will undoubtedly affect the 2017 economy: international political uncertainty aggravated by political events in 2016 (Brexit and US presidential election outcomes), the results of which were contrary to expectations, arising from populist movements with scopes which are impossible to determine. During the year we will once again have the opportunity to detect trends from upcoming elections in the Netherlands, France, and Germany.

Political events in 2017 (depending on their outcome) will have inevitable consequences on financial markets, which already tend to be volatile as seen recently, as well as European institutions, whose regulatory and institutional activity deeply affects the economic performance of its members.

The formation of the Spanish government at the end of 2016 was minority, although reassuring after many months of uncertainty; it depends on receiving support to continue in a stable and orderly fashion, even when circumstances necessitate reaching agreements with other political formations to push legislative initiatives forward.

As regards free-to-air television, we expect that the process of consolidation and normalization in our sector during recent years, in which our Group was a pioneer, to continue apace, most notably now, when as mentioned previously, a stable environment in which six new channels were assigned in 2015.

We expect the advertising cycle to continue apace on the back of the underlying economic growth; in this context, the recovery of advertising sales prices which were seriously affected during the crisis, will continue as a priority.

Available data on TV consumption and its share of the total advertising income pie indicate that after the economic recovery is consolidated, TV advertising revenues will not have suffered from the arrival of new platforms which involve television operators such as ourselves. The Group intends to focus its presence through advertising its new platforms, and contributing ever-increasing human and technological resources, better customer service, while developing an efficient communications tool adapted to changing audiovisual consumption habits.

Within this context of the concentration and consolidation of operators, the Company's business strategy will be focused on how to maintain its strong lead, in both terms of audience as well as advertising market, while being fully-adapted to the environment which affects income generation as well as its cost structure, in order to facilitate the growth of our margins and cash flows taking advantage of the financial leverage which is consubstantial in our sector.

As far as its programming lineup is concerned, the Company will continue to support genres which have traditionally been popular, thereby making it the indisputable leader of the market; it will also continue with its strategy of diversification, focusing on the different audience to which the family of channels is tailored (which in 2016, included a new member) to gain a better rapport with the audience and serve as a more effective way to present ourselves to our clients.

A final first-line goal is to maintain a solid financial and equity position (while remaining debt-free and with positive cash-flow), thereby making it possible to objectively and independently consider operational and business opportunities as they arise within the context of the current ever-changing environment, while bolstering the Group's competitive edge in the face of the high financial leverage which affects the majority of the companies competing in its sector.

Also, once our sector's economic situation seems more normalized, we will maintain our shareholder remuneration policies based on distribution (using the different measures at our disposal, dividends, the purchase of treasury shares, and others) of surplus cash.

Rules governing the appointment and removal of directors and the amendment of the company's bylaws

A. Appointment and removal of directors

Article 41 of Company Bylaws - Appointment of Board Members

1. Board members are appointed during the General Shareholders' meeting, and without prejudice to the designation of members through the proportional system established in applicable legislation.

2. Directorships may be waived, canceled, or reappointed, once or several times. The appointment of Board members will be considered effective upon acceptance.

3. If during the period during which they were appointed as board members any vacancies arise, the Board may designate individuals to fill them until the first General Shareholders meeting. Should a seat be vacated after the meeting is called yet prior to its celebration, the Board of Directors may designate a Director until the following meeting is held.

4. Parties considered incompatible or prohibited by law or these Board bylaws or regulations may not be appointed.

Article 54 of Company Bylaws - Appointment of Board Members

1. Directors are appointed for a period of four years, renewable for one or more subsequent five-year periods. Appointments are no longer effective once the above period ends, after the subsequent General Shareholders meeting his held, or the legal period for calling the ordinary meeting has transpired.

2. Independent directors may exercise their functions for a maximum period of twelve (12) years and may not be re-elected after such period except subject to a favorable report by the Appointments and Remuneration Committee.

Article 55 - Removal of directors

1. Directors shall cease to hold office when so determined at the General Meeting, when they notify the Company of their resignation or decision to stand down or when the term for which they were appointed elapses. In the latter case, the resignation shall be effective from the date of the earliest General Meeting.

2. Directors shall tender their resignation to the Board of Directors and the Board shall accept their resignation if deemed appropriate in the following situations: (a) when they reach the age of 70; (b) when they retire from the executive positions to which their appointment as directors was associated; (c) when they are involved in any applicable situations of incompatibility or prohibition; (d) when they have been seriously reprimanded by the Appointments and Remuneration Committee for having infringed their duties as directors; (e) when their continuity as directors jeopardizes the Company's interests or adversely affects its prestige and reputation and (f) when the reasons for which they were appointed cease to exist

3. Directors who stand down from the Board prior to the end of their mandate must submit a letter to all the members of the Board explaining the reasons for vacating office. The Company shall also notify the Spanish National Securities Market Commission (CNMV) of the resignation in a significant event filing and explain the reasons in the annual Corporate Governance Report.

B. Amendments to the Company's bylaws.

Article 34 - Adoption of resolutions

1. Resolutions shall be adopted at Annual General Meetings or at Extraordinary General Meetings with the majorities required under the Spanish Corporation Law. Every voting share present or duly represented at the General Meeting shall carry one vote.

2. The majority required to approve resolutions shall be one half plus one of the voting shares present or duly represented at the General Meeting, except for the instances stipulating larger majorities, provided for in Law or these bylaws

During second call, if shareholders representing twenty-five percent (25%) or more of subscribed capital with voting rights without reaching fifty percent (50%) are in attendance, resolutions under Article 25.2 may be adapted only with a vote in favor of two thirds of the capital present or represented in the Meeting. When shareholders representing more than fifty percent (50%) attend, resolutions shall be adopted by absolute majority of the directors present at the meeting in person or by proxy.

C.- POWERS of Directors and, specifically, powers to issue or buy back shares

These powers are regulated firstly in the Company's bylaws and secondly in the internal code of conduct.

A. Article 37 of the bylaws regulates management and supervisory powers as follows:

1. Except for matters reserved solely to General Meeting, the Board of Directors is the Company's highest decision-making body.

2. Without prejudice to the Board of Directors' widespread powers to manage, direct, represent, and administer the Company, the Board of Directors will basically focus its activity on defining and supervising the Company and Group's general management strategies and directives, and communicate, coordinate, and monitor the implementation of their general strategies, policies, and guidelines. The main purpose is to create value for shareholders, based on general trust in delegating the management and handling of the Company's ordinary business to its delegated bodies and management team.

3. In any case, the Board of Directors has exclusive competence over the following matters, which may not be delegated:

i. Its own organization and functioning.

ii. Calling the General Shareholders meeting, preparation of the agenda, and proposed agreements.

iii. Authorization for issue of the financial statements, management report, and proposed distribution of profit, the consolidated financial statements and Group management report and its presentation to the General Shareholders meeting.

iv. Preparation of any legally-mandated report for the Board of Directors, as long as the referred-to transaction may not be delegated.

v. Appointment of directors by co-optation and proposals to the General Meeting for the appointment, ratification, re-election, or removal of directors.

vi. The appointment or replacement of, or where applicable, of the Company's directors, as well as the establishment of their contractual conditions.

vii. Designation and re-election of internal positions on the Board of Directors and members of committees.

viii. Establishment of the remuneration of the members of the Board of Directors, to be proposed by the Appointments and Remuneration Committee.

ix. Prior to receipt of a favorable report from the Appointments and Remuneration Committee, the preparation of the Board's Remuneration Policy based on prevailing legislation and good governance recommendations.

x. Payment of interim dividends.

xi. Announcements relating to any takeover bids launched for the securities issued by the Company.

xii. Approval and amendment of the Board of Directors' Regulations governing internal organization and functions.

xiii. Authorization for issuance of the annual Corporate Governance Report.

xiv. Exercise of the powers delegated by the shareholders in general meeting when powers of substitution have not been established and the performance of any duties entrusted by the shareholders in general meeting.

xv. Based on a report by the Appointments and Remuneration Committee, approve Company or Group company transactions in the terms established in prevailing legislation, or shareholders, either individually or with others, of a significant shareholding including shareholders represented on the Company's Board of Directors or that of other companies in the Group or related parties. Board members involved or represented or linked to these shareholders must abstain from deliberating and voting on the agreements in question, apart from legally-established transactions at any given time.

xvi. Board approval is not necessary (based on a report from the Appointments and Remuneration Committee) for related Company transactions performed, simultaneously contemplating the three following conditions: (i) they are performed under contracts with standard terms and conditions and applied in masse to multiple customers; (ii) they are performed at prices established in general terms by the supplier of the good or service in question; and (iii) the amount in question does not exceed 1% of the Company's annual income.

xvii. Approval for investments or operations considered strategic by virtue of their amount or special characteristics or tax risks, unless their approval corresponds to the General Shareholders' Meeting;

xviii. Conclusion of any agreement or establishment of any legal relationship between the Company and any shareholders (or companies belonging to the same group as the shareholder) with ownership interests of over five per cent and of an amount in excess of 80,000,000 euros.

xix. The Company's general policies and strategies, and in particular:

a) Approve annual budgets and where applicable, the strategic plan.

b) Approve and oversee dividend management policies and goals.

c) Approve and monitor investment and financing policies.

d) Define the Group company structure of which the Company is parent.

e) Approve and supervise the Company/Group's Corporate Governance policy.

f) Approve and monitor corporate social responsibility policies.

g) Approve Director remuneration for submission at the General Shareholders meeting.

h) Approve the Company's treasury share policies.

xx. Determine the Company's tax strategy.

xxi. Performance evaluation of the Company's executive directors.

xxii. Supervise the effective functioning of any Committees created as well as performance of delegated bodies, as well as any designated directors.

xxiii. Approval and follow-up, based on the Audit and Compliance Committee Report, risk management and control policy including those which are tax-related, as well as the supervision of internal information and control systems.

xxiv. Appointment and removal of directors reporting directly to the Board or any of its members, as well as establishment of basic contractual conditions, to include remuneration.

xxv. Approval at the proposal of the Audit and Compliance Committee, of the financial information that the Company must publish periodically.

xxvi. Approval of the creation or acquisition of ownership interests in special-purpose entities or companies domiciled in countries or territories considered to be tax havens and any transactions or operations of a similar nature which, due to the complexity thereof, may adversely affect the Company's transparency.

xxvii. Authorization or removal of commitments assumed from loyalty in accordance with legally-established imperatives and exemptions.

xxviii. Creation, organization, and supervision of an internal whistleblowing channel.

xxix. Any other matters which the Board of Directors Regulations deal with.

4. When any duly-justified urgent situations arise, decisions may be made corresponding to matters covered in above sections i, xii, xv, xvi, xviii a), xviii b), xviii c), xviii d), xviii e), xviii f), xix, xxii, xxv, and xxiv by the Executive or Delegated Committee, which must be ratified during the first Board of Directors meeting held after the decision has been made.

5. The Board of Directors must annually evaluate its functioning and that of its Committees, as well as propose action plans designed to correct any anomalies detected based on a previous analysis. The outcome of the evaluation will reflected in the minutes or included as an Appendix.

The faculties inherent to the Board of Directors, apart from any which may legally or statutorily be delegated are performed by the Executive Committee and the Joint and Several CEO, Mr. Paolo Vasile.

The Rules of Internal Conduct of Mediaset España Comunicación, S.A. and its Group of companies actions on the Securities Market are guided by Section 13, which sets forth the applicable regulations regarding treasury share transactions, as follows:

Article 13. - Regulations regarding treasury share transactions:

1. 1. For the purposes of these Regulations, treasury share transactions are considered those directly or indirectly carried out through any of the Group companies which have redemption value.

2. The Group's treasury share transactions will in no case will take place using Privileged Information, and must always have a legitimate purpose, such as to provide investors the sufficient liquidity to trade Company shares, execute own share repurchase agreements, or stabilization in accordance with prevailing legislation, meet legitimate previously-established commitments or any other admissible purposes outlined in applicable legislation and criteria published to this effect by the CNMV.

In no case with treasury share transactions be used to influence the free process of price formation for the Company's shares, by generating deceptive signs regarding their contracting volume or liquidity.

3. Treasury share management will be carried out with full transparency in relationships with supervisory and governing bodies. Treasury share transactions will be notified to the CNMV within the legally-established form, deadline, and requirements.

4. The Mediaset Group's Finance Director, as Head of Treasury Share management, should:

a) Report to the Regulatory Compliance Manager (RCM) of any treasury share transactions to be carried out with sufficient notice, and at least 24 hours ahead of time;

b) Keep the RCM regularly informed, or where requested, report on all treasury share transactions performed, maintain an updated file of all transactions with own shares;

c) Provide regular information to the Audit Committee on risks assumed during treasury share transactions;

d) Oversee the performance of the Company's shares on the markets.

SIGNIFICANT AGREEMENTS THAT WOULD COME INTO FORCE, BE AMENDED OR EXPIRE IN THE EVENT OF A CHANGE OF CONTROL AT THE COMPANY

There are no significant agreements subject to a change in control at the Company.

AGREEMENTS BETWEEN THE COMPANY AND ITS DIRECTORS AND MANAGERS THAT PROVIDE FOR SPECIAL INDEMNITIES

1- Executive director

Compensation:

a) Voluntary departure: annual payment: fixed annual salary+ annual bonus/13.5, with total compensation the sum of years employed.

b) Lawful or unlawful dismissal: legal indemnity + indemnity in point a)

Where any changes are made to the Company's current direct/indirect ownership/control, and in cases of unfair, collective, dismissal, or removal by the CEO due to any of the causes set forth in Articles 39, 40, 41, and 50 of the Workers' Statute: two gross annual salary payments.

2.- Executive director:

Where any changes are made to the Company's current direct/indirect ownership/control, and in cases of unfair, collective, dismissal, or removal by the CEO due to any of the causes set forth in Articles 39, 40, 41, and 50 of the Workers' Statute: two gross annual salary payments.

3 - General Director:

Termination of contract by the Company (except in case of just cause):

(Replacing the legal compensation applicable, unless such compensation is higher)

Termination from 04/24/02 to 12/31/07: 24 months of salary

Termination from 2008 to 2011: 18 months of salary

Termination after 2011: 12 months of salary

Where any changes are made to the Company's current direct/indirect ownership/control, and in cases of unfair, collective, dismissal, or removal by the CEO due to any of the causes set forth in Articles 39, 40, 41, and 50 of the Workers' Statute: two gross annual salary payments.

4.- General Director

Where any changes are made to the Company's current direct/indirect ownership/control, and in cases of unfair, collective, dismissal, or removal by the CEO due to any of the causes set forth in Articles 39, 40, 41, and 50 of the Workers' Statute: two gross annual salary payments.

5.-Division Director:

Termination of the contract at the Company's request (unless referring to lawful dismissal):

Indemnity comprising an annual fixed gross salary plus any legally-stipulated amounts.

6.- Division Director

Termination of the contract for reasons attributable to the company or suspension, modification or limitation of its duties will perceive the largest amount of the following options:

A) Compensation starting from 1,020,000 euros, decreasing monthly by 34,000 euros over the following 30 months from the signing of the termination (01/30/2006) until it reaches 0.

B) Compensation equal to 12 months of current salary.

7.- Dir. Director

Start date: October 10, 2009:

A) During the first 3 years: 12 months of fixed salary (legal compensation excluded)

B) From the 4th to the 6th year: 9 months of fixed salary (legal compensation excluded)

C) From the 7th to the 9th year: 6 months of fixed salary (legal compensation excluded)

D) From the 10th year: legal compensation.

8.- Dir. Director

Where the Company terminates the contract, and unless it is deemed lawful: indemnity of one hundred and thousand euros gross (120,000.00 euros), including legal dismissal amounts. Should the legally-established indemnity be higher than the agreed-upon amount, it will be the only amount payable.

9.- Area Director

During the first 3 years: 12 months of fixed salary (legal compensation included)

- From the 4th year and after: 6 months of fixed salary (legal compensation included).

Read with the accompanying explanatory notes.

Madrid, February 23, 2017.