

**BOARD OF DIRECTORS OF MEDIASET ESPAÑA COMUNICACIÓN, S.A REPORT REGARDING THE PROPOSED CAPITAL REDUCTION THROUGH THE CANCELLATION OF ITS OWN SHARES INCLUDED IN ITEM NINE ON THE AGENDA OF THE GENERAL SHAREHOLDERS 'MEETING CALLED FOR 13<sup>th</sup> AND 14<sup>th</sup> OF APRIL 2015 ON FIRST AND SECOND CALL RESPECTIVELY.**

**1. Purpose of the report**

This report was prepared by the Board of Directors of Mediaset España Comunicación, S.A. ("Mediaset" or the "Company") pursuant to the provisions of Articles 286 and 318 of the Corporations Act, to justify the proposed capital reduction by the cancellation of treasury stocks which is subject to approval by the General Meeting of Shareholders under the Forth item on the agenda.

Under these Articles, the Board must prepare a report justifying the proposal submitted to the General Meeting of Shareholders, to the extent that the capital reduction necessarily entails the amendment of the Articles of Association regulating share capital.

**2. Justification for the proposal**

Since the Annual General Meeting of the Company was held on April 15<sup>th</sup>, 2015, and under the resolution adopted under the tenth item on the agenda, the Board of Directors of the Company approved two share buyback programs, both aiming to complete the goal of returning to shareholders the amount obtained at the time from the market for the acquisition of 22% of DTS Distribuidora de Televisión Digital, SA.

The first buyback plan was approved on May 8<sup>th</sup>, 2015 (relevant fact n° 222692, dated May 8<sup>th</sup> 2015), allowing for the purchase of 15,225,203 own shares, representative of 4.16% of the Company's share capital (relevant fact n° 229982, 23<sup>rd</sup> October 2015).

The second buyback plan was approved on 28<sup>th</sup> October 2015 (relevant fact n° 230224), and 14.232.590 own shares have been purchased, representative of 3.89% of the Company's share capital (relevant fact n° 235169, dated 23<sup>rd</sup> February 2016).

Both buyback programs ultimate goal, as has already stated, is to reduce the share capital of the Company and thus increase earnings per share, also favouring the liquidity of the same.

Based on the above, the Board of Directors agreed to propose to the General Meeting a capital reduction by the cancellation of treasury stocks. In the case that it is finally approved, it is expected that almost all of the Company's treasury stocks are cancelled, taking into account that the shares necessary for the execution of existing remuneration programs, via the delivery of shares or stock options, are excluded from the reduction.

**3. Principal terms and conditions of the capital reduction**

It is proposed to reduce the share capital amounting to FOURTEEN MILLION, SEVEN HUNDRED TWENTY THOUSAND, EIGHT HUNDRED AND NINETY-SEVEN (14,728,897) twenty-nine million, four hundred fifty-seven thousand seven hundred ninety-four (29,457,794) of its own shares currently held as treasury stock of EUR 0.50 par value each, representing 8.04% of the share capital, therefore leaving the amount of share capital as one

hundred sixty-eight million, three hundred fifty-eight thousand seven hundred forty-five (168,358,745) Euros.

If the capital reduction agreement is approved, it will be necessary to amend the Articles of Association governing the share capital, to reflect the new amount of capital and the new number of shares in circulation.

The capital reduction would not imply a refund of contributions as the Company itself is the owner of the cancelled shares and would be carried out against disposable reserves, through the provision of a capital reserve for an amount equal to the nominal value of the cancelled shares, which would only be used with the same requirements as those established for the reduction of share capital, pursuant to the provisions of Article 335. c) of the Corporations Act.

Therefore, for the sake of simplicity in the execution, and under the scope of Article 335 c) of the Corporations Act, creditors would not have the right to object under Article 334 of the Corporations Act.

In particular, it is proposed to empower the Board of Directors to take the steps and actions necessary to formalize the agreement to reduce capital and apply for the delisting of the cancelled shares on the Spanish Stock Exchanges and the cancellation of its accounting records.

#### **4. Modification of Article 5 of the Articles of Association**

As a result of the proposed capital reduction, it is necessary to redraft Article 5 of the Articles of Association, proposing the following.

*“Article 5. Share Capital*

*1. The Company’s share capital amounts to ONE HUNDRED SIXTY-EIGHT MILLION, THREE HUNDRED FIFTY-EIGHT THOUSAND SEVEN HUNDRED FORTY-FIVE (168,358,745) Euros.*

*2. Share capital is divided into THREE HUNDRED THIRTY SIX MILLION SEVEN HUNDRED SEVENTEEN THOUSAND, FOUR HUNDRED NINETY (336,717,490) ordinary shares whose nominal value is 0.50 Euros per share and which are numbered consecutively from one (1) three hundred thirty six million seven hundred seventeen thousand, four hundred ninety, (336,717,490) both included.*

*3. All shares are entirely paid up.*

*4. The Company may issue shares without voting rights for a nominal amount not exceeding half of the paid up share capital, which shall have the rights and obligations provided for them in the Act. The holders of non-voting shares are entitled to receive the minimum annual dividend of five percent (5%) of the paid up capital by each non-voting share.*

*5. In addition, the Company may issue redeemable shares in accordance with the applicable rules, which give their holders the rights established in the issue agreement.”*