

PROMOTORA DE INFORMACIONES, S.A. (PRISA)

Herein is attached a translation of the Annual Accounts and the Management Report for the 2016 financial year of PRISA and its Consolidated Group, as well as the respective reports of the auditor.

In the event of a discrepancy, the Spanish language version prevails.

The certification attached at the end of the document is in Spanish

Promotora de Informaciones, S.A.

Financial Statements and Directors' Report for 2016, together with Independent Auditor's Report

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain. In the event of a discrepancy, the Spanish-language version prevails.

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain. In the event of a discrepancy, the Spanish-language version prevails.

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

To the shareholders of Promotora de Informaciones, S.A.,

Report on the financial statements

We have audited the accompanying financial statements of Promotora de Informaciones, S.A., which comprise the balance sheet as at 31 December 2016, and the income statement, statement of changes in equity, statement of cash flows and notes to the financial statements for the year then ended.

Directors' responsibility for the financial statements

The directors are responsible for preparing the accompanying financial statements so that they present fairly the equity, financial position and results of Promotora de Informaciones, S.A. in accordance with the regulatory financial reporting framework applicable to the Company in Spain (identified in Note 2-a to the accompanying financial statements) and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the audit regulations in force in Spain. Those regulations require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

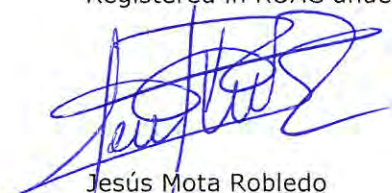
In our opinion, the accompanying financial statements present fairly, in all material respects, the equity and financial position of Promotora de Informaciones, S.A. as at 31 December 2016, and its results and its cash flows for the year then ended in accordance with the regulatory financial reporting framework applicable to the Company and, in particular, with the accounting principles and rules contained therein.

Report on other legal and regulatory requirements

The accompanying directors' report for 2016 contains the explanations which the directors consider appropriate about the Company's situation, the evolution of its business and other matters, but is not an integral part of the financial statements. We have checked that the accounting information in the directors' report is consistent with that contained in the financial statements for 2016. Our work as auditors was confined to checking the directors' report with the aforementioned scope, and did not include a review of any information other than that drawn from the accounting records of Promotora de Informaciones, S.A.

DELOITTE, S.L.

Registered in ROAC under no. S0692



Jesús Mota Robledo
February 27, 2017

PROMOTORA DE INFORMACIONES, S.A. (PRISA)

Individual Financial Statements and Directors' Report for 2016

PROMOTORA DE INFORMACIONES, S.A. (PRISA)

Individual Financial Statements for 2016

PROMOTORA DE INFORMACIONES, S.A. (PRISA)
BALANCE SHEET AT 31 DECEMBER 2016
(in thousands of euros)

ASSETS	12/31/16	12/31/15	EQUITY AND LIABILITIES	12/31/16	12/31/15
A) NON-CURRENT ASSETS	1,318,856	2,074,934	A) EQUITY (Note 8)	(343,091)	(430,044)
I. INTANGIBLE ASSETS (Note 5)			A-1) Shareholders' equity	(343,310)	(430,175)
1. Computer software	327	917	I. SHARE CAPITAL	235,008	235,008
2. Advances and intangible assets in progress	-	66	II. SHARE PREMIUM	1,371,299	1,371,299
II. PROPERTY, PLANT AND EQUIPMENT (Note 6)	862	823	III. OTHER EQUITY INSTRUMENTS	130,700	46,408
1. Other fixtures and furniture	193	145	IV. RESERVES	(2,077,284)	(2,075,342)
2. Other items of property, plant and equipment	669	678	1. Legal and bylaw reserves	17,220	17,220
III. NON-CURRENT INVESTMENTS IN GROUP COMPANIES AND ASSOCIATES (Note 7.1)	1,033,891	1,715,568	2. Other reserves	105,722	102,502
1. Equity instruments	1,033,891	1,585,717	3. Loss from previous years	(2,200,226)	(2,195,064)
2. Loans to companies	-	129,851	V. TREASURY SHARES	(1,735)	(2,386)
IV. NON-CURRENT FINANCIAL ASSETS (Note 7.1)	1,175	1,059	VI. PROFIT (LOSS) FOR THE YEAR	(1,298)	(5,162)
1. Equity instruments	1,162	1,046	A-2) Value adjustments	219	131
2. Other financial assets	13	13	I. AVAILABLE-FOR-SALE FINANCIAL ASSETS (Note 7.1)	219	131
V. DEFERRED TAX ASSETS (Note 9)	282,601	356,501	B) NON-CURRENT LIABILITIES	1,665,489	1,987,387
B) CURRENT ASSETS	43,945	427,356	I. LONG-TERM PROVISIONS (Note 12)	25,158	111,135
I. TRADE AND OTHER RECEIVABLES	2,563	25,919	II. NON-CURRENT PAYABLES (Note 7.2)	1,544,453	1,751,785
1. Trade receivables for services	61	-	1. Bank borrowings	1,544,453	1,751,785
2. Receivable from Group companies and associates (Note 16)	2,260	23,115	III. NON-CURRENT PAYABLES TO GROUP COMPANIES AND ASSOCIATES (Note 7.2 and 16)	94,171	113,236
3. Employee receivables	5	17	IV. DEFERRED TAX LIABILITIES (Note 9)	1,707	11,231
4. Tax receivables (Note 9)	206	2,123	C) CURRENT LIABILITIES	40,403	944,947
5. Other receivables	31	664	I. CURRENT PAYABLES (Note 7.2)	212	883
II. CURRENT INVESTMENTS IN GROUP COMPANIES AND ASSOCIATES (Note 7.1 and 16)	34,296	46,391	1. Bank borrowings	212	780
1. Loans to companies	34,296	46,391	2. Other financial liabilities	-	103
III. CURRENT FINANCIAL INVESTMENTS (Note 7.1)	4,188	101,522	II. CURRENT PAYABLES TO GROUP COMPANIES AND ASSOCIATES (Note 7.2 and 16)	23,866	921,921
1. Other financial assets	4,188	101,522	III. TRADE AND OTHER PAYABLES	16,325	22,143
IV. CURRENT PREPAYMENTS AND ACCRUED INCOME	1,189	2,309	1. Payable to suppliers (Note 15)	42	56
V. CASH AND CASH EQUIVALENTS (Note 7.4)	1,709	251,215	2. Payable to suppliers - Group companies and associates (Note 15 and 16)	310	257
1. Cash	1,709	251,215	3. Sundry accounts payable (Note 15)	13,421	15,704
			4. Remuneration payable	1,901	5,035
			5. Tax payables (Note 9)	651	1,091
TOTAL ASSETS	1,362,801	2,502,290	TOTAL EQUITY AND LIABILITIES	1,362,801	2,502,290

The accompanying Notes 1 to 21 and Appendices I and II are an integral part of the balance sheet at 31 December 2016

Translation of financial statements originally issued in Spanish and prepared in accordance with generally accepted accounting principles in Spain (see Notes 2 and 21). In the event of a discrepancy, the Spanish-language version prevails.

PROMOTORA DE INFORMACIONES, S.A. (PRISA)
INCOME STATEMENT FOR 2016
(in thousands of euros)

	2016	2015
A) CONTINUING OPERATIONS		
1. Revenue		
a) Services (Note 16)	11,430	11,417
b) Income from equity investments (Note 16)	10,579	10,058
2. Other operating income	949	286
3. Staff costs		
a) Wages, salaries and similar expenses	(6,337)	(13,107)
b) Employee benefit costs (Note 10)	(804)	(1,180)
4. Other operating expenses		
a) Outside services (Note 10)	(19,762)	(18,232)
b) Taxes other than income tax	(8,692)	(132)
c) Impairment and other losses	5	(102)
5. Depreciation and amortization charge (Notes 5 and 6)	(722)	(942)
PROFIT/LOSS FROM OPERATIONS	(13,354)	(11,934)
6. Finance income		
a) From loans to Group companies and associates (Note 16)	1,627	3,806
b) Other finance income (Notes 7.2 and 8)	39,390	45,913
c) Profits on disposal of holdings (Note 7.1)	-	38,653
7. Finance costs and similar expenses:		
a) On debts to Group companies (Note 16)	(2,085)	(5,912)
b) On debts to third parties and similar expenses	(77,875)	(134,646)
8. Change in fair value of financial instruments	-	726
9. Exchange differences	3	(137)
10. Impairment of financial instruments		
a) Impairment and other losses (Notes 7.1 and 12)	62,710	(10,536)
FINANCIAL LOSS (Note 11)	23,770	(62,133)
LOSS BEFORE TAX	10,416	(74,067)
11. Income tax (Note 9)	(11,419)	72,215
PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS	(1,003)	(1,852)
B) DISCONTINUED OPERATIONS	(295)	(3,310)
PROFIT/(LOSS) FOR THE YEAR	(1,298)	(5,162)

The accompanying Notes 1 to 21 and Appendices I and II are an integral part of the income statement for 2016

Translation of financial statements originally issued in Spanish and prepared in accordance with generally accepted accounting principles in Spain (see Notes 2 and 2.1). In the event of a discrepancy, the Spanish-language version prevails.

PROMOTORA DE INFORMACIONES, S.A.
STATEMENT OF CHANGES IN EQUITY FOR 2016

A) STATEMENT OF COMPREHENSIVE INCOMES AND EXPENSES FOR 2016
(in thousands of euros)

	12/31/16	12/31/15
A) Profit/(Loss) per income statement	(1,298)	(5,162)
Income and expense recognized directly in equity		
Arising from revaluation of financial instruments (Note 7.1)	88	(32)
Tax effect	117	(43)
	(29)	11
B) Total income and expense recognized directly in equity	(1,210)	(5,194)
Transfers to profit or loss		
Arising from revaluation of financial instruments	-	(22,272)
Tax effect	-	(30,933)
	-	8,661
C) Total transfers to profit or loss	-	(22,272)
TOTAL RECOGNIZED INCOME AND EXPENSE	(1,210)	(27,466)

The accompanying Notes 1 to 21 and Appendix I and II are an integral part of the statement of comprehensive incomes and expenses for 2016

PROMOTORA DE INFORMACIONES, S.A.
STATEMENT OF CHANGES IN EQUITY FOR 2016
B) TOTAL STATEMENT OF CHANGES IN EQUITY FOR 2016
(in thousands of euros)

	Share capital	Share premium	Other Equity Instruments	Legal reserve	Statutory reserves	Resolution reserves	Reserves for treasury shares	Reserves for capital merger	Voluntary reserves	Loss from previous years	Reserves for variation in fair value of financial assets	Reserves for first-time application of the new Spanish chart of accounts	Treasury shares	Profit (Loss) for the year	Equity
Balance at December 31, 2014	215,808	1,324,672	46,488	5,335	11,885	13,899	3,116	1,495	86,983	(1,282,368)	22,335	6,673	(0,116)	912,696	(540,970)
I. Total recognized income and expense															
1. Profit (loss) for the year														(5,162)	(5,194)
2. Valuation of financial instruments											(22,272)	(32)			(22,272)
II. Transactions with shareholders or owners															
1. Capital increases															
- Share Capital	19,200														19,200
- Share Premium		42,627													42,627
2. Conversion of financial liabilities into equity															
3. Issuance of equity instruments															
4. Conversion of equity instruments into shareholder's equity															
5. Distribution of 2014 profit															
- Loss from previous years															
6. Treasury share transactions															
- Delivery of treasury shares							(2,977)		2,977				2,977		2,977
- Purchase of treasury shares							2,465		(2,465)				(2,465)		(2,465)
- Sales of treasury shares															
- Provision for treasury shares							(238)						238		
III. Other changes in equity															
- Other									75,973				75,973		75,973
Balance at December 31, 2015	235,008	1,377,299	46,488	5,335	11,885	13,899	2,386	1,495	163,448	(2,095,064)	131	6,673	(2,386)	(5,162)	(430,040)
I. Total recognized income and expense															
1. Profit (loss) for the year														(1,298)	(1,298)
2. Valuation of financial instruments															
II. Transactions with shareholders or owners															
1. Capital increases															
- Share Capital															
- Share Premium															
2. Conversion of financial liabilities into equity															
3. Issuance of equity instruments			84,292												84,292
4. Conversion of equity instruments into shareholder's equity															
5. Distribution of 2015 profit															
- Loss from previous years															
6. Treasury share transactions															
- Delivery of treasury shares															
- Purchase of treasury shares															
- Sales of treasury shares															
- Provision for treasury shares															
III. Other changes in equity															
- Other									3,094				3,094		3,094
Balance at December 31, 2016 (Note 8)	235,008	1,377,299	130,790	5,335	11,885	13,899	1,735	1,495	167,319	(2,290,226)	219	6,673	(1,298)	(5,162)	(943,091)

The accompanying Notes 1 to 21 and Appendices I and II are an integral part of the total statement of changes in equity for 2016.

PROMOTORA DE INFORMACIONES, S.A.
STATEMENT OF CASH FLOW FOR 2016
(in thousands of euros)

	2016	2015
A) CASH FLOWS FROM OPERATING ACTIVITIES		
1. Loss for the year before tax	10,121	(77,377)
2. Adjustments for	(45,047)	125,232
a) Depreciation and amortization charge (+)	722	942
b) Impairment of non-current financial assets (+/-)	(62,710)	10,536
Impairment losses recognised for financial assets	(68,005)	3,365
Period provisions for contingencies and charges	5,295	7,171
c) Finance income (-)	(41,069)	(89,123)
d) Finance costs (+)	80,008	140,720
e) Dividends received	(10,579)	(10,058)
f) Income tax	(11,419)	72,215
3. Changes in working capital	79,784	(28,475)
a) Trade and other receivables (+/-)	1,096	14,729
b) Current prepayments and accrued income	1,120	1,009
c) Current financial assets	60,926	45,000
d) Trade and other payables (+/-)	(3,007)	(24,861)
e) Change in deferred taxes (+/-)	19,541	(64,352)
f) Change in non-current assets and liabilities (+/-)	108	-
4. Other cash flows from operating activities	(15,054)	(60,711)
a) Interest paid (-)	(29,015)	(36,057)
b) Dividends received (+)	10,579	10,948
c) Interest received (+)	4,423	6,790
d) Income tax recovered (paid) (+/-)	8,636	(2,299)
e) Other amounts received (paid) relating to operating activities (+/-)	(9,677)	(40,093)
5. Cash flows from operating activities (+/-1+/-2+/-3+/-4)	29,804	(41,331)
B) CASH FLOWS FROM INVESTING ACTIVITIES		
6. Payments due to investment (-)	(65,214)	(113)
7. Proceeds from disposal (+)	34,880	843,899
8. Cash flows from investing activities (7-6)	(30,334)	843,786
C) CASH FLOWS FROM FINANCING ACTIVITIES		
9. Proceeds and payments relating to equity instruments	(1,131)	60,758
10. Proceeds and payments relating to bank borrowings	(120,128)	(784,102)
11. Proceeds and payments relating to borrowings from Group companies	(127,717)	105,288
12. Proceeds and payments relating to other financing activities	-	(2,739)
13. Cash flows from financing activities (+/-9+/-10-11-12)	(248,976)	(620,795)
D) NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS (+/-A+/-B+/-C)	(249,506)	181,660
Cash and cash equivalents at beginning of year	251,215	69,555
Cash and cash equivalents at end of year	1,709	251,215

The accompanying Notes 1 to 21 and Appendix I and II are an integral part of the statement of cash flows for 2016

PROMOTORA DE INFORMACIONES, S.A. (PRISA)

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR 2016

1.- COMPANY ACTIVITIES AND PERFORMANCE

a) Company activities

Promotora de Informaciones, S.A. ("Prisa" or "the Company") was incorporated on January 18, 1972, and has its registered office in Madrid, at Gran Vía, 32. Its business activities include, *inter alia*, the exploitation of printed and audiovisual media, the holding of investments in companies and businesses and the provision of all manner of services.

In view of the business activity carried on by the Company, it does not have any environmental liabilities, expenses, assets, provisions or contingencies that might be material with respect to its equity, financial position or results. Therefore, no specific disclosures relating to environmental issues are included in these notes to the financial statements.

In addition to the business activities carried on directly by it, the Company heads a group of subsidiaries, joint ventures and associates which engage in a variety of business activities and which compose the Group ("the Prisa Group" or "the Group"). Therefore, in addition to its own separate financial statements, Prisa is obliged to present consolidated financial statements for the Group.

The Group's consolidated financial statements for 2015 were approved by the shareholders at the Annual General Meeting held on April 1, 2016 and deposited in the Mercantile Register of Madrid.

The consolidated financial statements for 2016 were authorized for issue by the Company's Directors on February 24, 2017.

These financial statements are presented in thousands of euros as this is the currency of the main economic area in which the Group operates.

Shares of Prisa are admitted to trading on the continuous market of the Spanish Stock Exchanges (Madrid, Barcelona, Bilbao and Valencia).

b) Evolution of the financial structure of the Company and the Prisa Group

In December 2013, the Company signed an agreement to refinance its financial debt which involved maturity date extensions; greater flexibility in the process of debt reduction and an improvement in its liquidity profile.

This improvement in its liquidity profile was the result of obtaining an additional credit line arranged with certain institutional investors which was provided in full and cancelled in

2015 using part of the funds from the sale of 56% of DTS, Distribuidora de Televisión Digital, S.A. (“DTS”) (see Note 7.2).

The refinancing agreement included a series of commitments to reduce debt for 2015 and 2016, which at December 31, 2015, have been fulfilled in advance (see Note 7.2).

In this period, the company paid off a total of EUR 1,751,385 thousand using the following transactions:

- EUR 844,166 thousand with the proceeds from the sale of 17.3% de Mediaset España Comunicación, S.A. (“Mediaset España”). In 2014, 13.68% of the company was sold and debt of EUR 643,542 thousand was paid off, with an average discount of 25.7%. In 2015 an additional 3.63% of the company was sold, cancelling EUR 200,624 thousand of debt with an average discount of 18.3%.
- EUR 729,478 thousand, with the funds obtained through the settlement of the sale of 56% of DTS in 2015. In 2015, EUR 621,779 thousand was cancelled: EUR 385,542 thousand corresponded to the credit line obtained in 2013 and additionally, in accordance with the refinancing contract, debt of EUR 96,686 thousand was cancelled at an average discount of 12.9% along with EUR 139,551 thousand at par value. During 2016, EUR 107,699 thousand were cancelled, EUR 88,036 thousand with an average discount of 14.76% and EUR 19,663 thousand at par value.
- EUR 133,133 thousand in 2014, with the funds obtained from the increase in capital subscribed by Consorcio Transportista Occher, S.A. de C.V. (“Occher”) in 2014, at a discount of 25%.
- EUR 33,096 thousand in 2016, with the funds obtained from the increase in capital subscribed by International Media Group, S.à.r.l. by the end of 2015, at an average discount of 23.2%.
- EUR 11,512 thousand in 2015, with funds from the sale of the trade publishing business in 2014.

Additionally, on April 1, 2016 the Shareholders’ General Meeting of Prisa approved the bonds issue, mandatorily convertible into newly issued ordinary shares, through the conversion of financial debt of the Company. The issue of the bonds has been subscribed in April through debt cancellation for an amount of EUR 100,742 thousand (see notes 7.2 and 8).

This transaction made a significant contribution to re-establishing Prisa’s equity, which had in the past been affected by losses from registering the sales agreement of 56% of DTS which automatically converted Tranche 3 debt into participating loans, as shown in the Group’s financing agreements (see Note 7.2).

At December 31, 2016, the equity of the Company with respect to the cause of dissolution and/or reduction of capital stipulated in Spain’s Corporate Enterprises Act (including participating loans outstanding at year end) stood at EUR 159,176 thousand, more than two thirds of total share capital.

The next relevant financial commitment is to fall due in 2018, when Tranche 2 falls due (*see note 7.2*). The Company is studying several options to meet these objectives such as the total or partial sale of assets, buying back debt at a discount in the market, leveraging operating assets and carrying out other corporate transactions.

c) Other significant operations

In the first half of 2016, the two pending adjustments in relation to the final price of the sale of shares of DTS have been resolved in favor of Prisa, which has supposed a cash inflow of EUR 7,170 thousand in February 2016 and EUR 29,173 thousand in May. Following the positive resolutions of these adjustments, the final price of the sale of DTS has been set at EUR 724,554 thousand.

In November 2016, Prisa announced that within the strategic review process initiated by the group, different alternatives was being considered, including, among others, an eventual disposal of all or part of the shares in Grupo Santillana Educación Global S.L. At the date of authorized of these financial statements, the Directors of the Company have not made any decision.

2.- BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS

a) Fair presentation

The accompanying financial statements for 2016, which were obtained from the Company's accounting records, are presented in accordance with the regulatory framework for financial reporting applicable and, in particular, the accounting principles and criteria contained herein, presenting fairly the Company's equity, financial position, and of the results of its operations, the changes in its equity and the cash flows generated by the Company in the year then ended. The regulatory framework for financial reporting applicable considered is:

1. The Commercial Code and other corporate legislation.
2. Royal Decree 1514/2007, of November 16, approving the Spanish National Chart of Accounts and the modifications included through Royal Decree 602/2016 of December 2 and its sectoral adaptations.
3. The obligatory legislation approved by the Institute of Accounting and Auditors of Accounts in development of the Spanish General Chart of Accounts and its complementary norms.
4. Other applicable Spanish legislation.

These financial statements, which were formally prepared by the Company's directors, will be submitted for approval by the shareholders at the Annual General Meeting and it is considered that they will be approved without any changes. The 2015 financial statements were approved by the shareholders at the Annual General Meeting held on April 1, 2016.

b) Comparison of information

In accordance with company legislation, each item of the balance sheet, income statement, statement of changes in net equity and cash flow statement for 2016 is shown with the figure for 2015 for comparison purposes. The notes to the financial statements also include

quantitative information of the previous year, unless an accounting standard specifically establishes otherwise.

c) Non-obligatory accounting principles

No non-obligatory accounting principles were applied. Also, all obligatory accounting principles were applied.

d) Key issues in the measurement and estimation of uncertainty

The information in these financial statements is the responsibility of the Company's directors.

In the accompanying financial statements for 2016 estimates were occasionally made by executives of the Company in order to quantify certain assets, liabilities, income, expenses and obligations reported herein. These estimates relate basically to the following:

- The measurement of assets to determine the possible existence of impairment losses (*see Notes 4.c and 7*).
- The useful life of property, plant, and equipment, and intangible assets (*see Notes 4a and 4b*).
- The hypotheses used to calculate the fair value of financial instruments (*see Note 7*).
- The assessment of the likelihood and amount of undetermined or contingent liabilities (*see Notes 4i and 12*).
- The estimates made for the determination of future commitments (*see Note 15*).
- The recoverability of deferred tax assets (*see Note 9*).
- Provisions for unissued and outstanding invoices.

Although these estimates were made on the basis of the best information available at the date of preparation of these consolidated financial statements on the events analysed, it is possible that events that may take place in the future force them to modify them, upwards or downwards. Changes in accounting estimates would be applied prospectively, recognizing the effects of the change in estimates in the future related income statements, as well as in assets and liabilities.

In 2016, there were no significant changes in the accounting estimates made at the end of 2015.

3.- ALLOCATION OF RESULT

The proposal for the distribution of the Company's loss for 2016 approved by the Company's Directors is the following (in thousands of euros):

	Amount
Basis of appropriation-	
Loss for the year	(1,298)
Distribution-	
At loss from previous years	(1,298)

4.- ACCOUNTING POLICIES

The principal accounting policies applied by the Company in the preparation of the accompanying 2016 and 2015 financial statements were as follows:

a) Intangible assets

Intangible assets are recognized initially at acquisition or production cost and are subsequently measured at cost less any accumulated amortization and any accumulated impairment losses. Only assets whose cost can be estimated objectively and from which the Company considers it probable that future economic benefits will be generated are recognized. These assets are amortized over their years of useful life. When the useful lives of these assets can not be estimated reliably they are amortized over a period of ten years according to Royal Decree 602/2016 of December 2.

The “*Industrial property*” account includes the amounts paid for acquiring the right to use or register certain brands. These rights are amortized at a rate of 20% per year using the straight-line method.

“*Computer software*” includes the amounts paid to develop specific computer programs or the amounts incurred in acquiring from third parties the licenses to use programs. Computer software is amortized using the straight-line method over a period ranging from four to six years, depending on the type of program or development, from the date on which it is brought into service.

b) Property, plant and equipment

Property, plant and equipment are carried at cost, net of the related accumulated depreciation and of any impairment losses.

The costs of expansion, modernization or improvements leading to increased productivity, capacity or efficiency or to a lengthening of the useful lives of the assets are capitalized.

Period upkeep and maintenance expenses are charged directly to the income statement for the year in which they are incurred.

Property, plant and equipment are depreciated by the straight-line method at annual rates based on the years of estimated useful life of the related assets, the detail being as follows:

	Years of estimated useful life
Other fixtures and furniture	10
Other items of property, plant and equipment	4-10

c) Impairment losses

At each reporting date, or whenever it is considered necessary, the Company reviews the carrying amounts of its assets to determine whether there is any indication that those assets might have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the amount of the impairment loss (if any).

Recoverable amount is the higher of fair value less costs to sell and value in use. Value in use is taken to be the present value of the estimated future cash flows to derive from the asset based on the most recent budgets approved by management.

If the recoverable amount is lower than the asset's carrying amount, the related impairment loss is recognized in the income statement for the difference.

Impairment losses recognized on an asset in previous years are reversed when there is a change in the estimate of its recoverable amount by increasing the carrying amount of the asset up to the limit of the carrying amount that would have been determined had no impairment loss been recognized for the asset. The reversal of the impairment loss is recognized immediately as income in the consolidated income statement.

d) Financial instruments

As the head of the Group, the Company prepares consolidated financial statements. The 2016 consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRSs) as approved by European Commission Regulations. The main aggregates of the PRISA Group's consolidated financial statements for 2016 prepared in accordance with IFRSs, are as follows:

	Thousands of euros
Total assets	2,126,431
Equity	(336,045)
Loss for the year attributed to the parent company	(67,859)

Financial assets-

Equity investments in Group companies, jointly controlled entities and associates

Group companies are those related to the Company by a control relationship, and associated companies those on which the Company exercises a significant influence. Additionally, within the category of multi-group companies are included those over which, under an agreement, joint control is exercised with one or more partners.

Equity investments in Group companies, jointly controlled entities and associates are measured at cost, net, where appropriate, of any accumulated impairment losses. The amount of the adjustment for impairment is the difference between the carrying amount and recoverable amount, taken to be the higher of fair value less costs to sell and the present value of the estimated future cash flows from the investment. Unless there is a better evidence of the recoverable amount is taken in consideration the equity of the investee, adjusted by the amount of the unrealized gains existing at the measurement date (including any goodwill).

Loans and receivables

These are financial assets originating from the sale of goods or from the provision of services during the company's traffic operations or those that, not having have any commercial substance, are not equity instruments or derivatives and have fixed or determinable payments and are not traded in an active market.

These assets are recognized at amortized cost, i.e. cash delivered less principal repayments, plus accrued interest receivable, in the case of loans, and the present value of the related consideration in the case of receivables.

The Company recognizes the related impairment allowance for the difference between the recoverable amount of the receivables and their carrying amount.

Held-to-maturity investments

Investments that the Company has the positive intention and ability to hold to the date of maturity. They are carried at amortized cost.

Available-for-sale financial assets

The Company classifies in this category the debt securities and equity instruments of other companies that have not been classified in any of the above categories. Available-for-sale financial assets are recognized at fair value without deducting any transaction costs that might be incurred on disposal. Changes in the fair value are recognized directly in equity until the financial asset is derecognised or becomes impaired, at which time the amount thus recognised is allocated to the income statement. In this sense, there is a presumption that impairment exists if there has been a fall of more than 40 % of the value of the asset or if there has been a decrease of the same extended over a period of a year and a half without recover its value.

Cash and cash equivalents-

“Cash and cash equivalents” in the balance sheet includes cash on hand and at banks, demand deposits and other short-term highly liquid investments that are readily convertible into cash and are not subject to a risk of changes in value.

Financial liabilities-

Loans and payables

Loans, bonds and other similar liabilities are carried at the amount received, net of transaction costs. Interest expenses, including premiums payable on settlement or redemption and transaction costs, are recognized in the consolidated income statement on an accrual basis using the effective interest method. The amount accrued and not paid is added to the carrying amount of the instrument if settlement is not made in the accrual period.

Accounts payable are recognized initially at market value and are subsequently measured at amortized cost using the effective interest method.

The Company derecognizes financial liabilities when the obligations that generated them have been extinguished.

Compound financial instruments

Compound financial instruments are non-derivative instruments that have both a liability and an equity component.

The Company recognizes, measures and presents separately the liability and equity components created by a single financial instrument.

The Company distributes the value of its instruments in accordance with the following criteria which, barring error, will not be subsequently reviewed:

- a. The liability component is recognized by measuring the fair value of a similar liability that does not have an associated equity component.
- b. The equity component is measured at the difference between the initial amount and the amount assigned to the liability component.
- c. The transaction costs are distributed in the same proportion.

Derivative financial instruments and hedge accounting-

The Company is exposed to interest rate risk since its bank borrowings and payables to Group companies bear interest at floating rates. In this regard, the Company arranges interest rate hedges, basically through contracts providing for interest rate caps, when the market outlook makes it advisable to do so.

These cash flow hedging derivatives are measured at fair value at the arrangement date. The subsequent changes in the fair value of the effective portion of the hedge are recognized in "*Valuation adjustments*" and are not transferred to the income statement until the losses or gains on the hedged transactions are recognized therein or until the maturity date of transactions. The ineffective portion of the hedge is recognized directly in profit or loss.

Changes in the value of these financial instruments are recognized as finance costs or finance income for the year, since by their nature they do not qualify for hedge accounting.

For instruments settled at a variable amount of shares or in cash, the Company recognizes a derivative financial liability when measuring these financial instruments using the Black-Scholes model.

Treasury shares-

Treasury shares are measured at acquisition cost with a debit balance under "*Equity*." Gains and losses on the acquisition, sale, issue, retirement or impairment of treasury shares are recognized directly in equity in the accompanying balance sheet.

e) Losses and gains from discontinued operations

A discontinued operation is a component of the Company that has been disposed of by other means, or is classified as 'held for sale' and, among other conditions, represents a separate major line of business which can be considered separate from the rest.

The Company presents this type of operations in the income statement under a single heading entitled "*Profit (or loss) from discontinued operations, net of tax*", including the profit (or loss) from discontinued operations net of tax recognized at fair value less costs to sell or disposal or of the assets that constitute the discontinued operation.

Additionally, the Company will re-present the disclosures described above for prior periods presented in the financial statements so that the disclosures relate to all operations that have been discontinued by the end of the reporting period for the latest period presented.

f) Foreign currency transactions

Foreign currency transactions are translated to the Company's functional currency (euros) at the exchange rates ruling at the transaction date. During the year, differences arising between the result of applying the exchange rates initially used and that of using the exchange rates prevailing at the date of collection or payment are recognized as finance income or finance costs in the income statement.

At the end of the reporting period, foreign currency on hand and the receivables and payables denominated in foreign currencies are translated to euros at the exchange rates then prevailing. Any gains or losses on such translation are recognized in the income statement.

g) Income tax

Income tax expense (tax income) represents the sum of the current tax expense (current tax income) and the deferred tax expense (deferred tax income).

The current income tax expense is the amount payable by the Company as a result of income tax settlements for a given year. Tax credits and other tax benefits, excluding tax withholdings and prepayments and tax loss carryforwards from prior years effectively offset in the current year, reduce the current income tax expense.

The deferred tax expense or income relates to the recognition and derecognition of deferred tax assets and liabilities.

Deferred tax assets and liabilities arise from temporary differences defined as the amounts expected to be payable or recoverable in the future which result from differences between the carrying amounts of assets and liabilities and their tax bases. These amounts are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled.

Deferred tax assets may also arise from the carryforward of unused tax loss and generated and unused tax credits and non-deductibles financial expenses.

Deferred tax assets are recognized to the extent that it is considered probable that the Company will have sufficient taxable profits in the future against which those assets can be utilized and the deferred tax assets do not arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit (loss) nor taxable profit (loss).

As a result of the modification of the Corporation Tax rate, approved by Act 27/2014, of 27 November on Corporation Tax, which reduces it to 28 % for the year 2015 and to 25% for 2016 and beyond, the Company proceeded to recognise deferred tax assets and liabilities on their balance sheets at the tax rate at which they are expected to be recovered or cancelled.

The deferred tax assets recognized are reassessed at the end of each reporting period and the appropriate adjustments are made to the extent that there are doubts as to their future recoverability. Also, unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that they will be recovered through future taxable profits.

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

Current and deferred tax assets and liabilities arising from transactions charged or credited directly to equity are also recognized in equity.

Royal Decree-Law 3/2016, of 2 December, modified the transitional provision sixteenth (DT 16) of Law 27/2014, of November 27, on Corporate Income Tax, a provision that establishes

the transitional regime applicable to the fiscal reversion of losses for impairment generated in periods before January 1, 2013. Under the new regulations, with effect for tax periods beginning on or after January 1, 2016, the reversal of said losses shall comprise at least equal parts in the tax base corresponding to each of the first five tax periods commencing from that date.

To the extent in which the values of the Company affected by this rule have no impediment, in practice, in order to be able to be transmitted before the end of the period of five years, as there are no severe restrictions on their transferability, whether legal, contractual or of other types, these fiscal adjustments have been considered as permanent differences in the Company and, consequently, one fifth of the corresponding Corporate Tax expense has been recognized as payable as a tax liability to the Treasury.

The Company files consolidated tax returns as Parent of tax group number 2/91 as permitted by the Consolidated Spanish Corporation Tax Law approved by Legislative Royal Decree 4/2004, of March 5.

As Parent of the group, the Company recognizes the adjustments relating to the consolidated tax group.

h) Income and expenses

Revenue and expenses are recognized on an accrual basis, regardless of when the resulting monetary or financial flow arises.

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for the goods and services provided in the normal course of business, net of discounts, VAT and other sales-related taxes.

Income from services rendered is recognized considering the degree of realization of the benefit on the date of balance, provided that the result of the transaction can be estimated reliably.

Interest incomes from financial assets are recognized using the effective interest method and dividend incomes are recognized when the shareholder's right to receive payment has been established.

i) Provisions and contingencies

The present obligations at the balance sheet date arising from past events which could give rise to a loss for the Company, which is uncertain as to its amount and timing are recognized as provisions in the balance sheet at the present value of the most probable amount that it is considered that the Company will have to pay to settle the obligation (*see Note 12*).

Contingent liabilities are possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company. Unless considered as remote, contingent liabilities are not recognised in Annual Accounts, but are informed in the Annual Report Notes.

The “*Provision for taxes*” relates to the estimated amount of the tax debts whose exact amount or date of payment has not yet been determined, since they depend on the fulfillment of certain conditions.

The “*Provision for third-party liability*” relates to the estimated amount required to meet the Company’s liability, as the majority shareholder, for the portion of the losses incurred at investees whose equity has become negative and which must be restored by their shareholders.

j) Current/non-current classification

Assets and liabilities maturing within twelve months from the balance sheet date are classified as current items and those maturing within more than twelve months are classified as non-current items.

k) Related party transactions

Related party transactions are a part of the Company’s normal business activities (in terms of their purpose and terms and conditions). Sales to related parties are carried out on an arm’s length basis. In addition, transfer prices are properly supported and, therefore, the Company's directors consider that there are no significant risks in this item that may give rise to sizeable liabilities in the future. The most significant transactions performed with related companies are of a financial nature.

l) Share-based payments

The Company recognises, on the one hand, goods and services received as an asset or as an expenditure, taking into account its nature at the time it is obtained and, on the other hand, the corresponding increase in equity in case the transaction is settled with an amount based on equity instruments value.

Those transactions settled with equity instruments that have counterpart goods or services other than those provided by employees shall be valued, where they may be reliably estimated, at the fair value of the goods or services on the date they are received. If the fair value of the goods or services received cannot be reliably estimated, the goods or services received and the increase in net worth will be valued at the fair value of the transferred equity instruments, referring to the date the company obtains the goods or the other party provides the services.

m) Provisions for severance payment

In accordance with the legislation in force, the Company is obliged to pay severance payments to those employees with whom, under certain conditions, it terminates their employment relationships. Therefore, severance payments that may be reasonably quantified are recorded as expenditure within the year in which the decision to dismiss is adopted. In 2016 the Company has not recorded any expense in this respect.

n) Equity instruments

An equity instrument is a contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

The bonds issue, mandatorily convertible into shares, approved by the Shareholders' General Meeting of Prisa on April 1, 2016 has been registered as an equity instrument as it is mandatory convertible into a fixed number of shares and don't included any contractual obligation to deliver cash or another financial asset. The fair value of equity instruments to be issued has been registered as an increase in equity in the line "Other equity instruments".

o) Intercompany transactions

According to current legislation concerning non-monetary contributions to a group company, the contributor will evaluate the investment according to the book value of the equity items delivered in the consolidated annual accounts on the date the transaction is carried out, according to the Rules for the Formulation of the Consolidated Annual Accounts, which develop the Commercial Code. The acquiring company will recognize them for the same amount.

5.- INTANGIBLE ASSETS

The transactions performed in 2016 in the various intangible asset accounts and the related accumulated amortization are summarized as follows (in thousands of euros):

2016

	Balance at 12/31/2015	Additions	Transfers	Balance at 12/31/2016
Cost				
Concessions, patents and other	60	-	-	60
Computer software	20,910	16	77	21,003
Advances and intangible assets in progress	66	11	(77)	-
Total cost	21,036	27	-	21,063
Accumulated amortization-				
Concessions, patents and other	(60)	-	-	(60)
Audiovisual rights	(19,993)	(683)	-	(20,676)
Total accumulated amortization	(20,053)	(683)	-	(20,736)
Total intangible assets, net	983	(656)	-	327

At December 31, 2016, the Company's fully amortized intangible assets in use amounted to EUR 18,127 thousand (December 31, 2015: EUR 14,635 thousand)

There are no restrictions on title to or future purchase obligations for intangible assets.

2015

The transactions performed in 2015 in the various intangible asset accounts and the related accumulated amortization are summarized as follows (in thousands of euros):

	Balance at 12/31/2014	Additions	Balance at 12/31/2015
Cost-			
Industrial property	60	-	60
Computer software	20,895	15	20,910
Advances and intangible assets in progress	-	66	66
Total cost	20,955	81	21,036
Accumulated amortization-			
Industrial property	(60)	-	(60)
Computer software	(19,097)	(896)	(19,993)
Total accumulated amortization	(19,157)	(896)	(20,053)
Total intangible assets, net	1,798	(815)	983

6.- PROPERTY, PLANT AND EQUIPMENT

The transactions performed in 2016 in the various property, plant and equipment accounts and the related accumulated depreciation are summarized as follows (in thousands of euros):

2016

	Balance at 12/31/2015	Additions	Disposals	Balance at 12/31/2016
Cost				
Other fixtures and furniture	438	96	(41)	493
Other items of property, plant and equipment	1,023	3	(8)	1,018
Total cost	1,461	99	(49)	1,511
Accumulated depreciation				
Other fixtures and furniture	(295)	(33)	28	(300)
Other items of property, plant and equipment	(343)	(6)	-	(349)
Total accumulated depreciation	(638)	(39)	28	(649)
Total property, plant and equipment, net	823	60	(21)	862

At December 31, 2016, the Company's fully depreciated property, plant and equipment in use amounted to EUR 499 thousand (December 31, 2015: EUR 430 thousand).

There are no restrictions on title to or future purchase obligations for property, plant and equipment.

The Company takes out insurance policies to adequately cover the value of its assets.

2015

The transactions performed in 2015 in the various property, plant and equipment accounts and the related accumulated depreciation are summarized as follows (in thousands of euros):

	Balance at 12/31/2014	Additions	Disposals	Balance at 12/31/2015
Cost-				
Other fixtures and furniture	441	-	(3)	438
Other items of property, plant and equipment	993	30	-	1,023
Total cost	1,434	30	(3)	1,461
Accumulated depreciation				
Other fixtures and furniture	(256)	(42)	3	(295)
Other items of property, plant and equipment	(339)	(4)	-	(343)
Total accumulated depreciation	(595)	(46)	3	(638)
Total property, plant and equipment, net	839	(16)	-	823

7. FINANCIAL INSTRUMENTS

7.1- FINANCIAL ASSETS

The detail of “*Financial assets*” in the balance sheets at December 31, 2016 and 2015, based on the nature of the transactions, is as follows:

Classes Categories	Thousands of euros							
	Non-current				Current		Total	
	Equity instruments		Loans, derivatives and other		Loans, derivatives			
	12/31/16	12/31/15	12/31/16	12/31/15	12/31/16	12/31/15	12/31/16	12/31/15
Group companies and associates	1,033,891	1,585,717	-	129,851	34,296	46,391	1,068,187	1,761,959
Held-to-maturity investments	-	-	13	13	4,188	65,179	4,201	65,192
Loans and receivables	-	-	-	-	-	36,343	-	36,343
Financial assets available for sale	1,162	1,046	-	-	-	-	1,162	1,046
Total	1,035,053	1,586,763	13	129,864	38,484	147,913	1,073,550	1,864,540

Equity investments in Group companies and associates

The transactions performed in 2016, in this category of financial assets, are summarized as follows (in thousands of euros):

	Balance at 12/31/2015	Additions	Reversals	Transfers	Disposals	Balance at 12/31/2016
Cost						
Investments in Group companies	2,573,438	314,336	-	52,567	(1,240,331)	1,700,010
Prisaprint, S.L.	258,031	3	-	-	(258,034)	-
Prisa Brand Solutions, S.L.U.	48,080	-	-	-	-	48,080
Prisa Tecnología, S.L.	31,467	65,107	-	-	(96,574)	-
Promotora de Emisoras, S.L.	10,786	-	-	41,456	-	52,242
Promotora de Emisoras de Televisión, S.A.	95,405	-	-	11,111	-	106,516
Diario El País México, S.A. de C.V.	898	-	-	-	-	898
Prisa Noticias, S.L.	96,126	-	-	-	-	96,126
Promotora General de Revistas, S.A.	3	-	-	-	-	3
Grupo Santillana Educación Global, S.L.	65,826	-	-	-	(65,826)	-
Audiovisual Sport, S.L.	248,062	-	-	-	-	248,062
Liberty Acquisition Holdings Virginia, Inc.	649,540	-	-	-	(649,540)	-
Prisa Audiovisual, S.L.U.	3	-	-	-	-	3
Prisa División Internacional, S.L.	170,339	-	-	-	(170,339)	-
Prisa Finance (Netherlands) BV	18	-	-	-	(18)	-
Prisa Gestión de Servicios, S.L.	3	-	-	-	-	3
Prisa Participadas, S.L.	259,682	249,226	-	-	-	508,908
Promotora Audiovisual de Colombia PACSA, S.A.	94	-	-	-	-	94
Promotora de Actividades América 2010, S.L.	10	-	-	-	-	10
Promotora de Actividades Audiovisuales de Colombia, Ltda.	4	-	-	-	-	4
Vertex SGPS, S.A.	639,061	-	-	-	-	639,061
Investments in associates	1,176	-	-	-	-	1,176
Total cost	2,574,614	314,336	-	52,567	(1,240,331)	1,701,186
Impairment losses						
In Group companies	(987,767)	(5,668)	67,852	(91,802)	351,224	(666,161)
Prisaprint, S.L.	(254,958)	-	312	-	254,646	-
Prisa Brand Solutions, S.L.U.	(38,445)	-	152	-	-	(38,293)
Prisa Tecnología, S.L.	(31,467)	-	-	(65,107)	96,574	-
Promotora de Emisoras, S.L.	(10,786)	-	641	(18,762)	-	(28,907)
Promotora de Emisoras de Televisión, S.A.	(95,405)	-	389	(7,875)	-	(102,891)
Diario El País México, S.A. de C.V.	(793)	(47)	-	(58)	-	(898)
Prisa Noticias, S.L.	(53,661)	-	53,661	-	-	-
Promotora General de Revistas, S.A.	(3)	1	-	-	-	(2)
Grupo Santillana Educación Global, S.L.	-	-	-	-	-	-
Audiovisual Sport, S.L.	(242,443)	(5,619)	-	-	-	(248,062)
Liberty Acquisition Holdings Virginia, Inc.	-	-	-	-	-	-
Prisa Audiovisual, S.L.U.	-	(3)	-	-	-	(3)
Prisa División Internacional, S.L.	-	-	-	-	-	-
Prisa Finance (Netherlands) BV	(4)	-	-	-	4	-
Prisa Gestión de Servicios, S.L.	-	-	-	-	-	-
Prisa Participadas, S.L.	(11,485)	-	5,554	-	-	(5,931)
Promotora Audiovisual de Colombia PACSA, S.A.	-	-	-	-	-	-
Promotora de Actividades América 2010, S.L.	(10)	-	-	-	-	(10)
Promotora de Actividades Audiovisuales de Colombia, Ltda.	(4)	-	-	-	-	(4)
Vertex SGPS, S.A.	(248,303)	-	7,143	-	-	(241,160)
In associates	(1,130)	(4)	-	-	-	(1,134)
Total impairment losses	(988,897)	(5,672)	67,852	(91,802)	351,224	(667,295)
Net Value	1,585,717	308,664	67,852	(39,235)	(889,107)	1,033,891

The main direct and indirect investments of Promotora de Informaciones, S.A. are listed in *Appendix I* and *Appendix II*, respectively.

The most significant operations that took place in 2016 which gave rise to the aforementioned movements are as follows:

Additions and transfers

In February 2016, a partner contribution was made for the amount of EUR 41,456 thousand to Promotora de Emisoras, S.L. with the aim of re-establishing this company's equity balance, through the offsetting of the participatory loan and transferring the provision for third-party liability to the stake's impairment (EUR 18,762 thousand).

In February 2016, a partner contribution was made for the amount of EUR 11,111 thousand to Promotora de Emisoras de Televisión, S.A. with the aim of re-establishing this company's equity balance, through the partial offsetting of the participatory loan and transferring the provision for third-party liability to the stake's impairment (EUR 7,875 thousand).

In June 2016, a partner contribution was made for the amount of EUR 65,107 thousand to Prisa Tecnología, S.L. with the aim of re-establishing this company's equity balance, partially with the amount obtained from the cancellation of the participating loan (EUR 57,631 thousand) and transferring the provision for third-party liability to the stake's impairment (EUR 65,107 thousand).

In addition, as a result of the non-monetary contributions explained in the following section, the value of the participation in Prisa Participadas, S.L. has increased in EUR 249,226 thousand.

Disposals

In November 2016, Prisa Finance (Netherlands) B.V., was liquidated, 100% owned by Promotora de Informaciones, S.A., retiring its carrying amount for EUR 18 thousand and no effect in the income statement.

In November 2016, Liberty Acquisition Holdings Virginia, Inc., was liquidated, 100% owned by Promotora de Informaciones, S.A. (*see note 7.2*) retiring its carrying amount for EUR 649.540 thousand and a positive effect of EUR 949 thousand in the income statement.

In November 2016, a non-monetary contribution was made to the company Prisa Participadas, S.L. involving 100% of the shares owned by Prisa in the company Prisa Tecnología, S.L., with a carrying amount of EUR 0 thousand, 100% of the shares owned by Prisa in the company Prisa División Internacional, S.L.U., with a carrying amount of EUR 170,339 thousand.

In December 2016, a non-monetary contribution was made to the company Prisa Participadas, S.L. involving 100% of the shares owned by Prisa in the company Prisa Print, S.L., with a carrying amount of EUR 3,388 thousand.

In December 2016, a non-monetary contribution was made to the company Prisa Participadas, S.L. involving 100% of the shares owned by Prisa in the company Grupo Santillana Educación Global, S.L., with a carrying amount of EUR 65,826 thousand.

The contributions have been posted at consolidated values, as set out in applicable accounting regulations, which has generated a positive impact of EUR 6,117 thousand to reserves.

Available-for-sale financial assets

This heading includes Prisa's stake in Mediaset España Comunicación, S.A., which at December 31, 2016 represents 0.031% of this company's equity for a value of 1,162 thousands of euros.

The Company recognises its stake in Mediaset España Comunicación, S.A. at fair value. As the shares in Mediaset España Comunicación, S.A. are listed on the Madrid Stock Exchange, the Company used the listed price at year end (11.15 euros) to calculate the fair value of this investment at December 31, 2016. The increase in fair value of 117 thousand euro was recognised directly in the Company's equity net of tax.

In 2015 the Company sold EUR 14,787,426 shares in Mediaset España representing 3.63% of its share, with an impact on equity of EUR 38,653 thousand on account of the difference between the sale price and the fair value at December 31, 2014 of the stake sold.

2015

The transactions performed in 2015, in this category of financial assets, were summarized as follows (in thousands of euros):

	Balance at 12/31/2014	Additions	Transfers	Disposals	Balance at 12/31/2015
Cost					
Investments in Group companies	2,270,988	412,379	-	(109,929)	2,573,438
Investments in associates	1,176	-	-	-	1,176
Total cost	2,272,164	412,379	-	(109,929)	2,574,614
Impairment losses					
In Group companies	(760,508)	(11,161)	(224,799)	8,701	(987,767)
In associates	(1,098)	(32)	-	-	(1,130)
Total impairment losses	(761,606)	(11,193)	(224,799)	8,701	(988,897)
Group companies and associates	1,510,558	401,186	(224,799)	(101,228)	1,585,717

The most significant operations that took place in 2015 which gave rise to the aforementioned movements were as follows:

In April 2015, a non-monetary contribution was made to the company Prisa Participadas, S.L. involving 100% of the shares owned by Prisa in the company Prisa Radio, S.A (worth EUR 109,929 thousand as of 31.12.2014). The contribution was posted at consolidated values, as set out in applicable accounting regulations, which generated a positive impact of EUR 75,593 thousand to reserves.

On 30 June, 2015, a partner contribution was made for the amount of EUR 226,854 thousand to Prisaprint, S.L. with the aim of re-establishing this company's equity balance, with the amount obtained from the cancellation of the participating loan and transferring the provision for third-party liability to the stake's impairment (EUR 223,927 thousand).

In July 2015, Prisa Audiovisual, S.L.U. was created, 100% owned by Promotora de Informaciones, S.A.

The detail of shareholdings by company of “Equity investments in Group companies and associated” at December 31, 2015 (in thousands of euros), was as follows:

ENTITY NAME	CARRYING AMOUNT				ACCUMULATED IMPAIRMENT LOSS
	COST	IMPAIMENT LOSS	IMPAIRMENT REVERSAL	TRANSFERS	
GROUP COMPANIES					
Prisaprint, S.L.	258,031	-	142	(223,923)	(254,958)
Prisa Brand Solutions, S.L.U.	48,080	(659)	-	-	(38,445)
Prisa Tecnología, S.L.	31,467	-	-	-	(31,467)
Promotora de Emisoras, S.L.	10,786	-	-	-	(10,786)
Promotora de Emisoras de Televisión, S.A.	95,405	-	-	-	(95,405)
Diario El País México, S.A. de C.V.	898	-	91	-	(793)
Prisa Noticias, S.L.	96,126	(11,077)	-	-	(53,661)
Promotora General de Revistas, S.A.	3	-	-	-	(3)
Grupo Santillana Educación Global, S.L.	65,826	-	-	-	-
Audiovisual Sport, S.L.	248,062	(170)	-	-	(242,443)
Liberty Acquisition Holdings Virginia, Inc.	649,540	-	-	-	-
Prisa Audiovisual, S.L.U.	3	-	-	-	-
Prisa División Internacional, S.L.	170,339	-	3,417	-	-
Prisa Finance (Netherlands) BV	18	-	-	-	(4)
Prisa Gestión de Servicios, S.L.	3	-	-	-	-
Prisa Participadas, S.L.	259,682	(127)	-	-	(11,485)
Promotora Audiovisual de Colombia PACSA, S.A.	94	-	-	-	-
Promotora de Actividades América 2010, S.L.	10	-	-	-	(10)
Promotora de Actividades Audiovisuales de Colombia, Ltda.	4	-	-	-	(4)
Vertex SGPS, S.A.	639,061	-	5,047	-	(248,303)
Prisa Radio, S.A.	-	-	-	-	-
ASSOCIATE COMPANY					
Canal Club de Distribución de Ocio y Cultura, S.A.	1,176	(32)	-	-	(1,130)
TOTAL INVESTMENT IN GROUP COMPANIES AND ASSOCIATES	2,574,614	(12,065)	8,697	(223,923)	(988,897)

Impairment tests

At the end of each reporting period, or whenever there are indications of impairment, the Company tests goodwill for impairment to determine whether it has suffered any permanent loss in value that reduces its recoverable amount to below its carrying amount.

The recoverable amount of each stake is the higher of value in use and the net selling price that would be obtained from the asset.

Value in use was calculated on the basis of the estimated future cash flows based on the business plans most recently approved by management. These business plans include the best estimates available of income and costs of the cash-generating units using industry projections and future expectations.

These projections cover the following five years and include a residual value that is appropriate for each business. In order to calculate the present value of these flows, they are discounted at a rate that reflects the weighted average cost of capital employed adjusted for the country risk and business risk. The rate for the most relevant impairment test is from 7.5% to 10.5%.

An analysis of the sensitivity of the main hypotheses of the impairment test has been conducted, concluding that there is sufficient margin between the carrying amount and its recoverable amount in scenarios more pessimistic than those envisaged by the Company's Management in its estimates.

Prisa Noticias, S.L.-

The main variables used by management to determine the value in use of Prisa Noticias's business were as follows:

Evolution of offline advertising: the Management has considered falls in offline advertising in accordance with the existing market projections.

Evolution of online advertising: the Management has taken into account the forecasts for the digital advertising market that predict growth for the next years in Spain and Latin America.

Events: the Management has considered the growth of the events business in line with the business development that the unit has achieved in recent years.

Expenses: the Management has considered that it will continue with the adjustments made to business expenses reviewing the operations model and simplifying the structures.

The discount rate used is 10.25% and the growth rate used is 0.5%.

In accordance with these assumptions and given that the recoverable value of Prisa Noticias was higher than its book price, the impairment corresponding to this investment has been totally cancelled for EUR 53,661 thousand.

Long term loans to Group companies and associates

"Loans to Group companies and associates" includes mainly the loans granted to Group companies and associates, the detail being as follows (in thousands of euros):

Group Company	Type of Loan	Final Maturity	Balance at 12/31/2015	Transfers	Balance at 12/31/2016
Promotora de Emisoras de Televisión, S.A.	Participating	2017	29,052	(29,052)	-
Promotora de Emisoras, S.L.	Participating	2017	41,456	(41,456)	-
Promotora de Actividades América 2010, S.L.	Participating	2017	1,021	(1,021)	-
Promotora Audiovisual de Colombia, S.A.	Finacial	2017	320	(320)	-
Prisa Tecnología, S.L.	Participating	2023	57,631	(57,631)	-
Prisa INC	Finacial	2017	371	(371)	-
Group companies, total			129,851	(129,851)	-

In 2016, transfers are mainly for contributions to Group companies (*see note 7.1*).

The participating loans earned floating interest which was dependent upon the borrower achieving a certain volume of billings and/or earnings. They also earned interest tied to Euribor plus a market spread.

Current investments in Group companies and associates

Until 2015, the Company pooled all the cash balances of the Prisa Group companies located in Spain through transfers from (to) the banks at which it has demand deposits. The balances in this connection earned and bore interest for the Company at rates tied to Euribor plus a spread.

In 2016, Prisa Group transferred the centralization of the treasury balances of the Group companies in Spain to Prisa Participadas, S.L. for which the initial balances have been assigned from Prisa to Prisa Participadas, S.L.. At December 31, 2015, this heading included EUR 43,456 thousand of balances and interest receivable from Group companies arising from the above-mentioned cash pooling.

This epigraph also includes the portion of the loans to companies of the Group and Associates with maturity within one year and interest accrued pending payment, being the sum of 4,718 thousand euros (EUR 2,935 thousand at December 31, 2015). In addition, at December 31, 2016, this caption includes the tax account receivable with the Group companies for the sum of 29,578 thousand euros.

Other current financial assets

At December 31, 2016, Promotora de Informaciones, S.A. has recognised an amount of EUR 4,188 thousand under this heading corresponding mainly to deposit with reference to the dispute with Indra Sistemas, S.A. (*see note 19*).

At December 31, 2015, Promotora de Informaciones, S.A. recognised an amount of EUR 65,179 thousand under this heading. This corresponds to deposits, eurodeposits and fixed term contracts maturing within one year held by the company with a number of financial institutions, cashed in 2016.

Also included was the amount to be received for the sale of DTS for EUR 36,343 thousand, cashed in 2016 (see note 1.c).

7.2. FINANCIAL LIABILITIES

Loans and payables

Classes	Thousands of euros									
	Non-current				Current				Total	
	Bank borrowings		Debts, derivatives and other		Bank borrowings		Loans, derivatives and other			
Categories	12/31/16	12/31/15	12/31/16	12/31/15	12/31/16	12/31/15	12/31/16	12/31/15	12/31/16	12/31/15
Loans and payables	1,544,453	1,751,785	94,171	113,236	212	780	23,866	921,921	1,662,702	2,787,722
Liabilities at fair value through profit or loss	-	-	-	-	-	-	-	103	-	103
Total	1,544,453	1,751,785	94,171	113,236	212	780	23,866	922,024	1,662,702	2,787,825

Bank borrowings

The Company's bank borrowings as well as the limits and expected maturities are as follows (in thousands of euros):

2016

	Maturity Date	Limit	Draw down amount maturing at short term	Draw down amount maturing at long term
Syndicated Loan Tranche 2	2018	956,512	-	956,512
Syndicated Loan Tranche 3	2019	176,985	-	176,985
Participative Loan (PPL)	2019	439,775	-	439,775
Interest and others	2016-2019	-	212	810
Loan arrangement costs	2019	-	-	(29,629)
Total		1,573,272	212	1,544,453

2015

	Maturity Date	Limit	Draw down amount maturing at short term	Draw down amount maturing at long term
Syndicated Loan Tranche 2	2018	956,512	-	956,512
Syndicated Loan Tranche 3	2019	275,443	-	275,443
Subordinated Loan	2020	31,126	-	31,126
Participative Loan (PPL)	2019	534,439	-	534,439
Interest and others	2015-2019	-	780	1,722
Loan arrangement costs	2019	-	-	(47,457)
Total		1,797,520	780	1,751,785

Bank borrowings are presented sheet at amortized cost in the balance sheet, adjusted for the loan origination and arrangement costs.

To determine the theoretical calculation of the fair value of the financial debt, and in accordance with accounting standards we used the Euribor curve and the discount factor supplied by the bank and the actual credit risk arising from a report provided by an independent expert regarding the transactions made in the secondary debt market (level 2 variables, estimates based on other observable market methods). Therefore, the fair value of Prisa's financial debt amounts to EUR 1,385,640 thousand at December 31, 2016, according to this calculation.

The methodology followed to calculate the debt has used the secondary market value of Prisa's refinanced debt (composed of the three tranches). This way, the Group's debt is valued at a 10.77% average discount over the real principal payment obligation to the creditor entities.

Syndicated loan (Tranche 1)-

In December 2013, as part of the refinancing of its financial debt, Prisa signed a syndicated financing agreement with a group of 16 financial investors for a maximum of EUR 353,261 thousand, with super senior status compared with the remainder of the refinanced debt, which was provided in full. Pursuant to the conditions for capitalization of the PIK on Tranche 1, debt increased in 2014 in this regard by EUR 18,524 thousand.

In May 2015, Prisa paid off Tranche 1 fully in the amount of EUR 385,542 thousand with part of the proceeds from the sale of 56% of DTS (see note 1.b). This amount included EUR 13,757 thousand corresponding to accrued interest unpaid on the cancellation date and the capitalized PIK during 2015.

Syndicated loan (Tranches 2 and 3)-

In December 2013, as part of the refinancing of its financial debt, Prisa agreed to the renewal of its syndicated loan, bridge loan and bilateral loans in an amount of EUR 2,924,732 thousand. The debt renewal was structured into tranches as follows:

- EUR 646,739 thousand (Tranche 2) maturing at long-term (5 years) at an interest rate referenced to the Euribor plus a margin negotiated with the lenders; and
- EUR 2,277,993 thousand (Tranche 3) maturing at long-term (6 years) at an interest rate referenced to the Euribor plus a margin negotiated with the lenders (PIK);

Tranche 2-

Under the refinancing agreement subscribed by the company, the level of Tranche 2 debt was set at EUR 956,512 thousand, following the mandatory cancellation, in May 2015, of the total for Tranche 1 with part of proceeds from the sale of DTS, for an amount of EUR 385,542 thousand, and the sale of the general publishing business.

Therefore Tranche 2 debt has been modified by the following:

- Debt cancellation in an amount of EUR 142,968 thousand in 2015:
 - With part of the proceeds from the sale of 3.63% of Mediaset España, Prisa repurchased debt at a discount in an amount of EUR 105,939 thousand, at an average discount of 14.4%.
 - With part of the proceeds from the sale of 56% of DTS, Prisa paid off EUR 25,517 thousand, at an average discount of 12.94%.
 - With part of the proceeds from the sale of the general publishing business in 2014, debt of EUR 11,512 thousand was paid off.
- Debt cancellation in an amount of EUR 50,285 thousand debt during 2016 with part of the proceeds from the sale of 56% of DTS and from the favourable resolution of the price adjustment, at an average discount of 15.7%.
- To reach the new Tranche 2 debt level, after the partial cancellations described above, EUR 452,741 thousand of debt was transferred from Tranche 3 in 2015 and EUR 50,285 thousand in 2016.

Tranche 2 falls due in 2018. The Company is studying several options to meet these objectives such as the total or partial sale of assets, buying back debt at a discount in the market, leveraging operating assets and carrying out other corporate transactions.

Tranche 3-

The refinancing agreement included a series of commitments to reduce debt by EUR 900,000 thousand in 2015, and by an additional EUR 600,000 in 2016, and, at December 31, 2015, these commitments fulfilled in advance.

The transactions carried out by the Group to meet its debt reduction commitments were as follows:

- Debt cancellation in an amount of EUR 776,675 thousand in 2014:
 - o Prisa repurchased debt in an amount of EUR 643,542 thousand, at an average discount of 25.70%, with the net proceeds from the sale of 13.68% of Mediaset España.
 - o Debt was repurchased in an amount of EUR 133,133 thousand, at a discount of 25.00%, with the amount from the capital increase subscribed by Occher.
- Debt cancellation in an amount of EUR 305,405 thousand in 2015:
 - o Prisa repurchased discounted debt in an amount of EUR 94,685 thousand, at an average discount of 22.61% with part of the net proceeds from the sale of 3.63% of Mediaset España.
 - o With part of the proceeds from the sale of 56% of DTS, Prisa paid off EUR 210,720 thousand, of which an amount of EUR 71,168 thousand was cancelled at a discount of 13.07%.
- Debt cancellation of EUR 57,414 thousand during 2016, with the funds derived from part of the funds collected from the sale of DTS and the favourable resolution of price adjustments, of which EUR 37,751 thousand were cancelled at an average discount of 13.5% and the rest at par.
- Meanwhile, as provided for in the refinancing agreement, the mandatory cancellation of the total of Tranche 1 with the proceeds from the sale of DTS and the partial cancellation of part of Tranche 2 with the transactions described above gave rise to the transfer of EUR 452,741 thousand of Tranche 3 to Tranche 2 during 2015 and EUR 50,285 thousand of Tranche 3 to Tranche 2 during 2016.
- In addition, as described below, due to the equity position of the parent company as a result of the sale of 56% of DTS, in September 2014 and in April 2015 the automatic debt conversion processes of Tranche 3 were formalized into participating loans in an amount of EUR 506,834 thousand and EUR 19,750 thousand respectively, as provided for in the company refinancing agreement. In 2016, were transferred EUR 4,406 thousands of PPLs to Tranche 3.

Pursuant to the conditions for capitalization of the PIK on Tranche 3, during 2016 debt increased in this regard by EUR 4,835 thousand (EUR 15,511 thousands in 2015).

Following the movements described above, at December 31, 2016, the amount of Tranche 3 stood at EUR 176,985 thousand (EUR 275,443 thousand at December 31, 2015).

Participating Loan (PPL)-

In June 2014, as a result of the loss of EUR 750,383 thousand by Prisa following the sale of a 56% stake in DTS, the equity of Prisa was negative in the amount of EUR 593,513 thousand, and therefore the company qualified for dissolution, pursuant to Spain's Corporate Enterprises Act.

In a bid to restore the equity balance, and in accordance with financing agreements of the Group, the automatic mechanism was again deployed to convert part of Tranche 3 of company debt into participating loans, in such a way that, on September 15, 2014, the process of converting debt into participating loans was formalized in an amount of EUR 506,834 thousand, and implied the reestablishment of the equity balance.

At 31 December 2014, as a result of, among other items, a review of the sale price of DTS and recognition of additional impairment of EUR 23,789 thousand, the equity of the Company with respect to the cause of dissolution and/or reduction of capital stipulated in Spain's Corporate Enterprises Act (including participating loans outstanding at year end) stood at EUR 31,554 thousand.

In order to restore the equity balance, the mechanism was again used to automatically convert part of Tranche 3 of the company's debt into participating loans. On April 20, 2015, an amount of EUR 19,750 thousand of Tranche 3 was converted into participating loans, after consideration of the transactions executed up until that date designed to reduce this amount as much as possible.

During 2016, EUR 68,630 thousand of participative loans were cancelled as a result of the subscription of the mandatory convertible bond (*see note 8*). In addition, EUR 33,096 thousand of participative loans were cancelled using part of the funds from the capital increase subscribed in 2015 by International Media Group, S.à.r.l. (for a total amount of EUR 64,000 thousand) at an average discount of 23.20%. In addition, EUR 4,406 thousand were transferred to Tranche 3.

The financial cost of the Participating Loan (PPL) is identical to that for Tranche 3. During 2016 capitalized PIK increased debt by EUR 10,924 thousand (EUR 13,146 thousands in 2015).

The participating loan balance at December 31, 2016 amounted to EUR 439,775 thousand (EUR 534,439 thousand at December 31, 2015).

Compliance with certain financial ratios is established in the financial agreements. The Group's directors consider that these ratios were fulfilled at December 31, 2016.

The refinancing agreement also includes causes for early termination as is customary in this kind of agreement, including the acquisition of control of Prisa, acquisition being

understood as by one or several persons together, with more than 30% of the capital with voting rights.

The guarantee structure for Tranches 2, 3 and PPL is as follows:

Personal guarantees

Tranches 2, 3, and PPL of the Prisa debt corresponding to debt which was refinanced in December of 2013 are severally guaranteed by Grupo Bidasoa Press, S.L., Dédalo Grupo Gráfico, S.L., Diario El País, S.L., Distribuciones Aliadas, S.A., Grupo Empresarial de Medios Impresos, S.L., Norprensa, S.A. and Prisa Participadas, S.L.

Also, Prisa Radio, S.A. and Vertix, SGPS, S.A. guarantee Tranches 2, 3, and PPL, with the following limitations:

- The guarantee granted by Prisa Radio, S.A. will be limited to a maximum amount equal to the lesser of the following:
 - EUR 1,314,706 thousand; and
 - 73.49% of equity at any given moment; and
- The guarantee granted by Vertix SGPS, S.A. will be limited to a maximum amount of EUR 600,000 thousand.

Guarantees

In December, 2013, resulting from a new syndicated loan which was repaid early in May, 2015, and the renewal of the remaining loans, Prisa pledged on certain owned bank accounts and, additionally, Bidasoa Press, S.L., Dédalo Grupo Gráfico, S.L. and Distribuciones Aliadas, S.A. constituted pledge on certain properties and receivables related to certain material contracts to guaranty the said creditors.

Also, on January 10, 2014, a pledge was granted for Prisa's shares in Audiovisual Sport, S.L. (80% share capital).

Part of the Prisa investment in Grupo Santillana Educación Global, S.L. (75% share capital), in Prisa Radio, S.A. (73,49% share capital) and Grupo Media Capital SGPS, S.A. (84.69% share capital) was also pledged, thereby insuring Tranches 2, 3, and PPL.

A pledge on certain properties and credit rights was also granted to the creditors of the financing granted to Dédalo Grupo Gráfico, S.L.

Subordinated Debt -

During 2016, Prisa's total subordinated debt has been cancelled as holders (HSBC, Caixabank and several companies of Grupo Santander) subscribed the mandatory convertible bond into newly ordinary shares, for an amount of EUR 32,112 thousand (*see note 8*).

This debt originated from interest, known as “coupons”, on the convertible bonds subscribed in 2012 by these entities, in their capacities as the company’s bank lenders. As part of the refinancing process in 2013, these entities agreed for the payment of this interest to take place solely on the date for the mandatory reconversion of the bonds, namely July 7, 2014. Upon maturity of the convertible bonds and their corresponding coupons, Prisa and its bank creditors agreed to convert the amount of this capitalized interest into subordinated debt.

Payable to Group companies and associates

The detail of “*Payable to Group companies and associates*”, is as follows (in thousands of euros):

2016

	Non-current	Current
Investment tax credits	31,679	-
Other payables	62,492	7,404
Cash pooling	-	16,462
Total	94,171	23,866

2015

	Non-current	Current
Investment tax credits	50,744	-
Other payables	62,492	659,576
Cash pooling	-	262,345
Total	113,236	921,921

Other non-current payables-

Corresponds to the participating loan granted by its subsidiary Prisa Participadas, S.L. for EUR 62,492 thousand.

Other current payables-

In 2015, until the transaction with Liberty Acquisition Holdings Virginia, Inc. was finalized, this account temporarily included the obligation arising from the transfer of EUR 650 million to Promotora de Informaciones, S.A. related to the subsequent integration agreements and capital increase and exchange of shares carried out by the Company in November 2010. In 2016, the said company was liquidated, thus cancelling said amount against the investment made in it (*see note 7.1*).

Investment tax credits-

“Investment tax credits” includes Promotora de Informaciones, S.A.’s obligation to its subsidiaries arising from investment tax credits earned by Group companies in prior years that were not used in the consolidated group’s income tax settlement.

Cash pooling-

At December 31, 2016, this heading included EUR 16,462 thousand of balances and interest payable to Prisa Participadas arising from the above-mentioned cash pooling (*see note 7.4*).

7.3- NATURE AND RISK OF THE FINANCIAL INSTRUMENTS

The Company has the mechanisms necessary to control, based on its financial structure and position and on the economic variables of the industry, exposure to changes in interest and exchange rate fluctuations and credit and liquidity risks, using specific hedging transactions, when necessary.

7.4.- CASH AND CASH EQUIVALENTS-

The balance of the heading *“Cash and cash equivalents”* on the accompanying balance sheet as of December 31, 2016 amounts to EUR 1,709 thousand (EUR 251,215 thousand as of December 31, 2015).

At December 31, 2015 this balance included EUR 55,381 thousand received from the sale of DTS (*see Note 7.2*), as well as the cash inflow for EUR 61,639 thousand from the capital increase subscribed by International Media Group, S.à.r.l, net of costs (*see Note 8*).

In 2016, the Company decided to change the centralization of the Group's treasury, which is headed by Prisa Participadas, S.L. (*see Note 7.1*).

8- EQUITY

The detail of the transactions recognized under *“Equity”* at December 31, 2016 and in 2015 is summarized in the statement of changes in equity.

Share capital

During 2016 the share capital of Prisa has not changed. Warrants 2013 have not been exercised by its owners. On December 31, 2016, 778,200 warrants were pending of exercise.

On December 31, 2016, the share capital of Prisa amounts to EUR 235,007,874 and is represented by 78,335,958 ordinary shares with a nominal value of EUR 3.00 each.

Share capital is fully subscribed and paid up.

Notwithstanding the above, Prisa has issued bonds mandatorily convertible into newly-issued common shares of Prisa, in accordance with the terms and conditions approved by the Ordinary Shareholders Meeting and the Board of Directors, both held on April 1, 2016 (*see section Issuance of financial instrument*).

On December 31, 2016, the significant shareholders of Prisa, according to information published in the *Comisión Nacional del Mercado de Valores* ("CNMV") and in some cases, information that has been provided by the shareholders to the Company, are the following.

However since some shareholders have not updated in the CNMV the number of voting rights that they hold after the grouping and exchange of shares or reverse split carried out in May 2015, the Company has calculated the estimate number of the voting rights that correspond to such shareholders (Nicolas Berggruen, Banco Santander, S.A, Fundación Bancaria Caixa D'Estalvis I Pensions de Barcelona/ Caixabank, S.A, HSBC Holdings PLC, GHO Networks, S.A. de CV/ Consorcio Transportista Occher, S.A. de C.V.), dividing by 30 the number of old shares they declared (one new share for 30 old shares).

Shareholder's Name	Number of Direct Voting Rights	Number of Indirect Voting Rights	Total % of Voting Rights (1)
AMBER CAPITAL UK LLP (2)	-	15,107,838	19.29
RUCANDIO, S.A. (3)	-	13,729,811	17.53
TELEFONICA, S.A.	10,228,745	-	13.06
INTERNATIONAL MEDIA GROUP, S.A.R.L (4)	6,400,000	-	8.17
GHO NETWORKS, S.A. DE CV (5)	-	6,297,076	8.04
HSBC HOLDINGS PLC	-	5,845,758	7.46
BANCO SANTANDER, S.A. (6)	34,866	3,246,872	4.19
FUNDACION BANCARIA CAIXA D ESTALVIS I PENSIONS DE BARCELONA	-	2,997,879	3.83
NICOLAS BERGGRUEN (7)	6,115	947,433	1.22

The aforementioned indirect shareholding is held as follows:

Indirect Shareholder's Name	Direct Shareholder's Name	Number of Direct Voting Rights
AMBER CAPITAL UK LLP	AMBER ACTIVE INVERSTORS LIMITED	11,841,366
AMBER CAPITAL UK LLP	AMBER GLOBAL OPPORTUNITIES LIMITED	2,770,893
AMBER CAPITAL UK LLP	AMBER SELECT OPPORTUNITIES LIMITED	495,579
RUCANDIO, S.A.	TIMON, S.A.	264,271
RUCANDIO, S.A.	RUCANDIO INVERSIONES, SICAV, S.A.	11,303
RUCANDIO, S.A.	PROMOTORA DE PUBLICACIONES, S.L.	2,574,964
RUCANDIO, S.A.	ASGARD INVERSIONES, SLU	922,069
RUCANDIO, S.A.	OTNAS INVERSIONES, S.L.	3,100,000
RUCANDIO, S.A.	CONTRATO ACCIONISTAS PRISA	6,857,204
GHO NETWORKS, S.A. DE CV	CONSORCIO TRANSPORTISTA OCCHER, S.A. DE C.V	6,297,076
HSBC HOLDINGS PLC	HSBC BANK PLC	5,845,758
BANCO SANTANDER, S.A.	SOCIEDADES GRUPO SANTANDER	3,246,872
FUNDACION BANCARIA CAIXA D ESTALVIS I PENSIONS DE BARCELONA	CAIXABANK, S.A.	2,997,879
NICOLAS BERGGRUEN	BH STORES IV, B.V	947,433

(1) The percentages of voting rights have been calculated on the total voting rights in Prisa at December 31, 2016 (i.e. 78,335,958).

(2) Mr. Joseph Oughourlian, external director representing significant shareholdings, has stated to the Company that: i) the structure of his indirect stake in the share capital of the Company is as declared in the previous tables and ii) he controls Amber Capital UK, LLP, which acts as investment manager to Amber Active Investors Limited, Amber Global Opportunities Limited and Amber Select Opportunities Limited.

(3) Rucandio indirectly holds the majority of votes in the Prisa Shareholders Agreement signed on April 24, 2014, whose terms were communicated to the CNMV.

Of the 6,297,076 (8.04%) voting rights held by Consorcio Transportista Occher, S.A. de C.V, 6,140,576 (7.84%) are linked to Prisa Shareholders Agreement and are already included in the 6,857,204 indirect voting rights declared by Rucandio through that Shareholders Agreement. Therefore the 17.53% over the total voting rights of the Company, which is indirectly held by Rucandio, includes the 7.84% held by Consorcio Transportista Occher, S.A. de C.V. which is bound by the Shareholders' Agreement.

(4) The voting rights held by International Media Group, SARL have been declared to the CNMV by Shk. Dr. Khalid bin Thani bin Abdullah Al-Thani, external director representing significant shareholdings, as an indirect stake.

International Media Group, S.A.R.L. is 100% owned by International Media Group Limited which in turn is 100% owned by Shk. Dr. Khalid bin Thani bin Abdullah Al-Thani.

(5) As of December 31, 2016, GRUPO HERRADURA OCCIDENTE, S.A. DE C.V. (GRUPO HERRADURA) appeared on the CNMV's website as declarant and indirect holder of the shares of CONSORCIO TRANSPORTISTA OCCHER, S.A. DE C.V (OCCHER).

However, it is noted that, in August 2016, GRUPO HERRADURA has been split into two separate entities, one of which, GHO NETWORKS, S.A. DE CV is now the shareholder of OCCHER, replacing GRUPO HERRADURA.

(6) The holder of the indirect interest of Banco Santander, S.A. is held through the following entities of Grupo Santander: Cántabra de Inversiones, S.A., Cántabro Catalana de Inversiones, S.A., Fomento e Inversiones, S.A., Títulos de Renta Fija, S.A., Carpe Diem Salud, S.L. and Suleyado 2003, S.L.

(7) BH Stores IV, B.V. is a subsidiary of Berggruen Holdings LTD, a 100% subsidiary of Nicolas Berggruen Charitable Trust. The ultimate beneficiary of the shares of BH Stores IV, B.V. is Nicolas Berggruen Charitable Trust. Mr. Nicolás Berggruen is a member of the Board of Directors of Berggruen Holdings.

Issuance of financial instrument (Other Equity Instruments)

On April 1, 2016 the Shareholders' General Meeting of Prisa approved a bonds issuance, mandatorily convertible into new issue ordinary shares of Prisa, through the conversion of financial debt of the Company. The issuance has been exclusively aimed to certain financial creditors of the Company that have subscribed a total of 10,074,209 bonds through the capitalization of some credits that amount a total of EUR 100,742 thousand. The issue of the bonds has been subscribed in April and it is divided in two tranches (*see note 7.2*):

- Tranche A: amounting to EUR 32,112 thousand subscribed by HSBC Bank Plc., Caixabank, S.A. and several companies of Grupo Santander through the exchange of the total subordinated debt arising from capitalized interest associated with the bond issuance made in 2012.
- Tranche B: amounting to EUR 68,630 thousand subscribed by HSBC of part of the profit participative loans.

The maturity date of the bonds is April 7, 2018, without prejudice to the right of early conversion in certain circumstances as described in the resolution approving the issuance. The bonds have a unit conversion price of 10 euros per share, will accrue an annual coupon payable in new shares of the company at the conversion date. At December 31, 2016, the accrued annual coupon amounted to EUR 1,950 thousand, payable at the time of conversion.

The issuance of the bond has been registered as an equity instrument as it is mandatory convertible into a fixed number of shares and includes no contractual obligation to deliver cash or another financial asset. At June 30, 2016, there was an increase in shareholders' equity of EUR 82,342 thousand under "*Other equity instruments*" and a financial income of EUR 18,401 thousand in the accompanying income statement at the time of recording the operation at the fair value of the equity instruments to be issued, for which the average cost of the Company's debt has been taken as a reference.

Share premium

The Recast Text of the Capital Companies Act expressly allows use of issue premium to increase capital against reserves. It establishes no specific restriction whatever regarding the availability of the balance of this reserve.

The amount of the issue premium reserve at December 31, 2016 and 2015, is EUR 1,371,299 thousand and is available in full.

Reserves

Revaluation reserve 1983-

Pursuant to the legislation on the revaluation of property, plant and equipment and intangible assets published in 1983, the cost and accumulated depreciation and amortization of these assets were increased by a net amount of EUR 3,289 thousand, recognized under "*Revaluation Reserve 1983.*" This reserve is unrestricted.

Revaluation reserve Royal Decree-Law 7/1996-

Under Royal Decree 2607/1996, of December 20, approving the regulations for asset revaluations pursuant to Royal Decree-Law 7/1996, of June 7, the surpluses arising from the revaluations must be charged to "*Revaluation reserve Royal Decree-Law 7/1996.*" The balance of this account at year end amounts to EUR 10,650 thousand and has been unrestricted since January 1, 2007.

Legal reserve-

Under the Consolidated Text of the Corporate Enterprises Law, 10% of net profit for each year must be transferred to the legal reserve until the balance of this reserve reaches at least 20% of the share capital.

The legal reserve can be used to increase capital by the amount exceeding 10% of the new capital after the increase.

Except as indicated above, until the legal reserve exceeds 20% of share capital, it can only be used to offset losses, provided that sufficient other reserves are not available for this purpose.

The balance in 2015 and 2016 of this account at year end amounts to EUR 5,335 thousand.

Reserve for treasury shares-

Article 142 of the Consolidated Text of the Corporate Enterprises Act states that when a company acquires treasury shares, it must record on the liability side of the balance sheet a restricted reserve equal to the carrying amount of the treasury shares. This reserve must be maintained until the shares are sold or canceled.

The balance of this account at year end amounts to EUR 1,735 thousand (at December 31, 2015, EUR 2,386 thousand).

Bylaw-stipulated reserves-

Under Article 32 of the Company's bylaws, at least 10% of the profit after tax must be transferred to a reserve each year until the balance of this reserve reaches at least 20% and does not exceed 50% of the paid-in share capital.

The balance of this account at year end amounts to EUR 11,885 thousand.

Voluntary reserves-

The Company has recognized an increase in voluntary reserves for EUR 3,871 thousand, due mainly to the non-monetary contributions to Prisa Participadas, S.L. for the amount of EUR 6,117 thousand (see note 7.1) compensated by the accrued annual coupon by the bond issue, mandatorily convertible into shares for EUR 1,950. (see note 8).

Treasury shares

The changes in "Treasury shares" in 2016 and 2015 were as follows:

	Thousands of euros			
	2016		2015	
	Number of shares	Amount	Number of shares	Amount
At beginning of year	457,037	2,386	402,556	3,116
Purchases	-	-	422,457	2,485
Deliveries	(126,630)	(777)	(367,976)	(2,977)
Reserve for treasury shares	-	126	-	(238)
At end of year	330,407	1,735	457,037	2,386

At December 31, 2016, Promotora de Informaciones, S.A. held a total of 330,407 treasury shares, representing 0.422% of its share capital.

Treasury shares are valued at market price at December 31, 2016 (EUR 5.250 per share). Their total cost is EUR 1,735 thousand.

At December 31, 2016, the Company did not hold any shares on loan.

Capital management policy

The principal objective of the Company's capital management policy is to achieve an appropriate capital structure that guarantees the sustainability of its business, aligning shareholder interests with those of its various financial creditors.

During recent financial years, considerable efforts have been made to maintain the level of the Company's equity, such as increasing capital by converting 75,000 thousand warrants into shares in January 2012 for EUR 150,000 thousand, issuing, during the same year, bonds mandatorily converted into shares in July 2014 in an amount of EUR 434,000 thousand, issuing 315,421 thousand of shares to deal with the 202.292 thousand warrants issued as part of Prisa's bank debt refinancing in 2013 and capital increases subscribed by Consorcio Transportista Occher, S.A. de C.V. in 2014, and International Media Group S.à.r.l. in 2015, for EUR 100,000 thousand and EUR 64,000 thousand respectively. In addition during 2016, a bond issuance mandatorily convertible into new issue ordinary shares was subscribed through the conversion of financial debt for amount of EUR 100,742 thousand (*see notes 7.2 and 8*).

Also, in 2015, Prisa consolidated and exchanged shares with the aim of limiting the volatility of the share on the market without its value losing liquidity.

Additionally, with the agreement to refinance its financial debt signed in December 2013, the Company obtained greater flexibility in the process of debt reduction and an improvement in its liquidity profile (*see note 7.2*). This agreement establishes commitments to maintain leverage ratios and interest cover at specific levels.

Since the signing of the refinancing agreement, the Company has advanced in the debt reduction process using proceeds from the sale of 17.3% of Mediaset España, 56% of DTS and the trade publishing business, as well as with proceeds from the share capital increase subscribed by Occher and with part of proceeds from the capital increase subscribed by International Media Group, S.à.r.l. and with the bonds issuance, mandatorily convertible into shares, through the conversion of financial debt (*see notes 7.2*).

9. TAX MATTERS

As indicated under "Accounting Policies," the Company files consolidated income tax returns in Spain, in accordance with the Spanish Corporation Tax Law, and is the Parent of consolidated tax group 2/91. The companies included in the consolidated tax group are detailed in Appendixes I and II.

As the parent of the aforementioned consolidated tax group, Promotora de Informaciones, S.A. recognises the Group's overall position vis-à-vis the tax authorities resulting from application of the consolidated tax regime, in accordance with the following table:

	Thousands of Euros	
	2016	2015
Sum of individual tax bases	95,675	(119,425)
Offset of tax losses arising prior to inclusion in the Group	(3,742)	-
Offset of Group tax losses	(65,013)	-
Consolidated taxable profit (tax loss)	26,920	(119,425)
Consolidated gross tax payable	6,730	-
Double taxation tax credits generated	(3,365)	(2,144)
Investment tax credits	(841)	-
Donations tax credits	(1,490)	-
Net tax payable	1,034	-
Withholdings from tax group	(85)	(61)
Advance payments	(949)	-
Income tax refundable	-	(61)

Reconciliation of the accounting profit (loss) to the taxable profit (tax loss)

The reconciliation of the income and expenses for the year to the taxable profit (tax profit/loss) used to calculate the income tax expense for 2016 and 2015 is as follows (in thousands of Euros):

	2016			2015		
	Income statement	Items recognised in Equity with tax impact	Total	Income statement	Items recognised in Equity with tax impact	Total
Balance of income and expenses for the year from continue activities	(1,298)	(438)	(1,736)	(1,852)	(2,173)	(4,025)
Income tax *	(20,336)	(146)	(20,482)	(77,262)	(845)	(78,107)
Withholding *	-	-	-	39	-	39
Adjustment of prior years' income tax *	(6,245)	-	(6,245)	(671)	-	(671)
Derecognition of tax credits *	38,000	-	38,000	4,017	-	4,017
Effect of the tax reform change of the tax rate *	-	-	-	1,662	-	1,662
Individual permanent differences *	(85,503)	-	(85,503)	(214,527)	-	(214,527)
Individual temporary differences *	76,787	-	76,787	139,541	-	139,541
Taxable profit	1,405	(584)	821	(149,053)	(3,018)	(152,071)

*This amount is a component of the recognised income tax

The permanent differences correspond mainly to: (i) the different accounting and tax treatment of investment valuation provisions and risks and expenses, which are not tax deductible and generate a negative net decrease of EUR 62,710 thousand, (ii) a negative adjustment of the exemption of dividends, for EUR 10,527 thousand, to which section 21 of the Spanish Corporation Tax Law applies, (iii) a negative adjustment of the tax merger difference corresponding to 2016 (for EUR 14,169 thousand), arising from the merger operation of the companies Promotora de Informaciones, S.A. and Prisa Televisión, S.A.U. (merger by takeover described in Note 17 of the Financial Statement corresponding to 2013), applying the requirements of Article 89.3 of the Tax Law in force at that time to give it tax effect, (iv) a negative adjustment arising from the recovery for tax purposes of one tenth of the amount adjusted in previous years as a result of the limitation of the deductibility of the expense for depreciation/amortisation, for EUR 39 thousand and (v) the contributions made to non-profit organisations for EUR 684 thousand, which generated an expense not deductible from the taxable profit, (vi) a negative adjustment of EUR 18,401 thousand to exclude from the taxable income the accountable income from the issue of the bond described in Notes 7.2 and 8 of the Report by application of the valuation rule of article 17.2 of the Tax Law, (vii) a positive adjustment for the interest expenses of Tax Provisions recorded in the year amounting to EUR 4,466 thousand and (viii) a positive adjustment for the minimum integration into five years of the reversion of impairment losses on the representative values of the holding in the capital of entities that would have been fiscally deductible, established by Royal Decree-Law 3/2016, of December 2, amounting to EUR 15,191 thousand.

The temporary differences originate mainly from (i) the differing accounting and tax treatments of the expense arising from other provisions which generate a decrease of EUR 1,357 thousand, (ii) a positive adjustment for the limitation of the deductibility of financial expenses outlined in article 16 of the aforementioned Income Tax Law, which amounts to EUR 39,214 thousand and (iii) the differing accounting and tax recognition criteria resulting from the derecognitions generated in the year, as described in Note 7.2 of the Report, and in the previous year, as set out by article 11.13 of the Spanish Corporation Tax Law, which entails a positive net integration into the taxable profit of EUR 39,116 thousand.

The regularization of the Corporate Income Tax for previous years mainly reflects the effect of the presentation of the final IS settlement corresponding to the year 2015 and the recording of the Inspection for the years 2009 to 2011.

In Equity are recorded expenses arising from transactions with equity instruments and the tax effect thereof.

Reconciliation of the accounting profit (loss) to the income tax expense

The reconciliation of the accounting profit (loss) to the income tax expense is as follows (in thousands of Euros):

	2016			2015		
	Income statement	Items recognised in Equity with tax impact	Total	Income statement	Items recognised in Equity with tax impact	Total
Accounting profit (loss) before tax from continue activities	10,121	(584)	9,537	(74,067)	(3,018)	(77,085)
Rate of 25%/28%	2,530	(146)	2,384	(20,739)	(845)	(21,584)
Individual permanent differences and permanent differences on consolidation	(21,376)	-	(21,376)	(26,628)	-	(26,628)
Impact of temporary differences	19,197	-	19,197	39,071	-	39,071
Donations tax credits	1,490	-	(1,490)	-	-	-
Current income tax	(1,139)	(146)	(1,285)	(8,296)	(845)	(9,141)
Deferred income tax	(19,197)	-	(19,197)	(39,071)	-	(39,071)
Deferred Income Tax due to the activation of tax credits by NTA*	-	-	-	(29,856)	-	(29,856)
Deferred Income Tax due to the activation of tax credits by DTD	-	-	-	(39)	-	(39)
Adjustment of prior years' income tax	(6,245)	-	(6,245)	(671)	-	(671)
Loss of tax credits	38,000	-	38,000	4,017	-	4,017
Effect of the tax reform change of the tax rate	-	-	-	1,662	-	1,662
Withholding	-	-	-	39	-	39
Total income tax	11,419	(146)	11,273	(72,215)	(845)	(73,060)

* At rate of 25%

The entity Prisa TV, S.A.U. (A Company taken over by Promotora de Informaciones, S.A.), in the 2011, 2012 and 2013 financial years, availed itself of the deduction for the reinvestment of extraordinary income for the amount of EUR 41,662, EUR 25,786 and EUR 16,127 thousand, respectively, complying with the requirement to reinvest the sale price, through the acquisition of property, plant and equipment, intangible assets and financial assets, under the terms established in the regulations, in each of the years mentioned.

Tax receivables and tax payables

The detail of the balances with Tax Receivables at 31 of December of 2016 is as follows (in thousands of Euros):

	Receivable		Payable	
	Current	Non-current	Current	Non-current
Deferred tax assets arising from unused tax credits	-	69,097	-	-
Deferred tax assets arising from negative tax losses upon tax consolidation	-	88,564	-	-
Deferred tax assets arising from temporary differences	-	124,940	-	-
Deferred tax liabilities	-	-	-	1,707
VAT, personal income tax withholdings, social security taxes and other	206	-	651	-
Total	206	282,601	651	1,707

The detail of the balances with Tax Authorities at 31 of December of 2015 was as follows (in thousands of Euros):

	Receivable		Payable	
	Current	Non-current	Current	Non-current
Income tax refundable/payable	1,464	-	-	-
Deferred tax assets arising from unused tax credits	-	87,655	-	-
Deferred tax assets arising from negative tax losses upon tax consolidation	-	142,818	-	-
Deferred tax assets arising from temporary differences	-	126,028	-	-
Deferred tax liabilities	-	-	-	11,231
VAT, personal income tax withholdings, social security taxes and other	659	-	1,091	-
Total	2,123	356,501	1,091	11,231

Deferred tax assets and liabilities

Deferred tax assets-

The pending long-term credit vis-à-vis the Tax Authorities for an amount of EUR 282,601 thousand at December 31, 2016, recorded under "*Deferred tax assets*" corresponds mainly,

- (i) The amount of the deductions for double taxation and investments (other than deductions for export activities) generated by the tax Group which, even though they have not been applied, are registered in the accounting records. Net variation in this respect for the year has entailed a withdrawal of EUR 18,558 thousand.

- (ii) The taxable losses of the Consolidated Tax Group for the financial years 2011, 2012, 2013 and 2015 (only partially), which are pending application. Net variation in this respect for the year has entailed a withdrawal of EUR 54,254 thousand.
- (iii) The tax credit arising from the limitation of the deductibility of financial expenses, in accordance with the provisions of article 16 of the Corporation Tax Law, in the part corresponding to the Company. Net variation in this respect for the year has entailed an addition of EUR 10,760 thousand.
- (iv) The balance of the amount of the payment of certain tax assessments issued by the tax authorities, which are still the subject of an administrative, or where appropriate, judicial procedure, which the Company has not guaranteed but rather paid. Net variation in this respect for the year has entailed a net withdrawal of EUR 9,952 thousand.

The detail of the Tax Group's taxable losses is as follows:

	Activated	Non- activated
Year of generation	Amount (thousands of Euros)	Amount (thousands of Euros)
2011	108,589	-
2012	222,735	-
2013	22,934	32,575
2015	-	553,992
TOTAL	354,258	586,567

Once the relevant recoverability analysis was carried out in Tax Group, by applying the criteria of accounting regulations, has derecognised, for accounting purposes, the credits corresponding to deductions for investments for a total amount of EUR 8,367 thousand in the tax group (recorded as an increase in Corporate Tax costs in the other companies of the Tax Group) and to negative tax bases of the fiscal consolidation group amounting to EUR 38,000 thousand (recorded in the Entity as a higher expense for Corporate Tax). These reductions derive mainly from the measures approved by the Royal Decree-Law 3/2016, of 2 December, which introduces a new limitation both on the compensation of negative tax bases and on the application in the tax rate, of double taxation deductions.

Once carried out the aforementioned adjustment, the companies' business plans, together with determined tax planning actions, allow for the recovery of deferred tax assets and liabilities recorded in the balance sheet as of December 31, 2016 within ten years.

The detail of the maturity of the Tax Group's tax deductions, differentiating between activated and non-activated (except the balance of the export tax credit) is as follows:

Year of statute of limitation	ACTIVATED	NON-ACTIVATED
	Amount (Thousands of Euros)	Amount (Thousands of Euros)
2016	61	-
2017	179	-
2018	-	-
2019	-	-
2020	-	-
2021	4	-
2022	329	2,213
2023	655	5,632
2024	420	7,334
2025	13,741	19,023
2026	3,641	6,471
2027	218	3,973
2028	6,501	3,139
2029	1,531	19,209
2030	1,216	3,882
2031	527	720
2032	37	45
2033	-	1,254
No Limits	40,037	7,111
TOTAL	69,097	80,006

The recovery of deferred tax assets and liabilities of the consolidated tax Group is based on the most recent business plans of its member companies, which have been approved by the Group's management. The tax plan considers the operational developments of these companies, the estimated future cash flows obtained from the remaining companies not members of the consolidated tax Group, as well as other operations such as repurchasing debt at a discount.

The companies' plans are based on the development of the Group's strategy in the long term and a series of macroeconomic, industry hypotheses for the overall business, in addition to maintaining the leadership position of the Group in the industries in which it operates. Forecasts and studies made by third parties were taken into account during approval.

Projections foresee increases within advertising market, in line with latest available studies and the leadership position of the Group in the different business where it operates. As long as businesses which rely heavily on advertising have a high percentage of fixed costs, an increase in advertising revenues shall have a positive impact on operating margins.

Additionally, projections include the development towards a fundamentally digital model with higher contribution margin. In addition, cost reductions are foreseen as a result of the adjustment plans that are being carried out in recent years.

Santillana in Spain and Latin America foresees an increase in revenue as a result of renewed educational contents, new digital developments and growth initiatives in extra-curricular activities, as well as maintaining institutional sales.

Finally, efficiency processes on corporate services will continue, which will be reduced in the next years.

Santillana and Radio operation's results in Latin America will contribute to generate future flows within the tax plan, in line with growth expectations foreseen for the countries in which the Group is present.

In addition, revenue is expected to increase due to repurchasing debt estimating an average discount in accordance with the debt contribution of Prisa at the end of the year. This debt repurchase will come from the remaining cash fund available in the Group at year end as well as from company operations.

Deferred tax liabilities-

The Deferred Tax Liability corresponds to two concepts, firstly (i) it includes the different accounting and tax recognition criteria for the financial income resulting from the derecognitions described in note 7.2 of the Report for an amount of EUR 1,634 thousand and secondly, (ii) it includes the different accounting and tax treatment of the recognition in equity of the adjustment to fair value (listed price) of the share in Mediaset explained in note 7.1 of the Report for an amount of EUR 73 thousand.

Years open to examination by the tax authorities

In 2006, the tax authorities completed their audit for income tax for 1999, 2000, 2001, and 2002 of consolidated tax group 2/91, that the Company is the Parent of this group.

Against the Settlement Agreements, relating to Corporate Income Tax, derived from the aforementioned inspections, the company filed the pertinent appeals and claims, which have already been resolved by the competent jurisdictions, although, against derivative settlements of the execution by the Tax Administration of the partially estimative judgements of the Supreme Court, relating to the years 1999 and 2000 and of the writ of inadmissibility for 2001, the company filed the corresponding appeals, which are pending resolution in The National Appellate Court.

In the 2010 financial year, the audits for the consolidated Corporate Income Tax corresponding to the 2003 to 2005 financial years were completed, issuing the corresponding Notice that was signed on a contested basis and that includes a settlement amounting to EUR 20,907 thousand (tax plus interest). Against this act, the Company filed the relevant economic-administrative claims and judicial remedies. In the year, the entity has received a partially estimative judgement that has acquired firmness. At the date of preparation of these annual accounts, execution by the Tax Administration is still pending. The tax debt arising from this decision was paid despite the appeal.

The audit relating to VAT from June 2004 to December 2006 concluded with the issuance of a Notice signed on a contested basis amounting to EUR 5,416 thousand, against which the company filed the claims (a partial resolution has been received from the TEAC and

refunded the Company EUR 704 thousand) and corresponding appeals (the judgment of the National Court was also partially estimative). In the year 2016, the entity has received a firm judgement from the Supreme Court and its effect has been recorded in the accounting year 2016 itself. The tax liability arising from this Notice, despite being appealed, was paid, and was recognized as a long-term credit vis-à-vis the Revenue Authorities, which in the year has been discharged (*see note 12*).

In the 2013 financial year, the tax audits at the consolidated tax Group relating to income tax for 2006 to 2008 were completed, with the issuance of a notice signed on a contested basis, amounting to EUR 9 thousand, which was paid by the Company. Since the Company did not agree with the criteria used in the tax audit relating to the proposed adjustment, it filed an appeal to the Board of Tax Appeals at the TEAC. At the date of preparation of these annual accounts a partial resolution has been received from the TEAC, against which the corresponding administrative and judicial appeal will be filed before the National Appellative Court. The determination agreement included the adjustment by the tax audit of all the tax credits for export activities arising in that period.

With regards to VAT for the period from June 2007 to December 2008, the tax audits concluded during the 2013 financial year with the issuance of two Notices, one for EUR 539 thousand, and the other for EUR 4,430 thousand, have both been the subject of appeal to the Board of Tax Appeals before the TEAC. At the date of preparation of these annual accounts a partial resolution has been received from the TEAC. The tax liability arising from these Notices was paid and was recognized as a long-term credit vis à vis the Revenue Authorities, which in the year has been discharged, and its effect recorded in the accounts (*see note 12*).

During 2011, verification and inquiry actions were initiated with regard to the tax on raffles, tombolas, wagers and promotional draws for 2007 to 2010 at Prisa Televisión, S.A.U. (a company taken over by Promotora de Informaciones, S.A.), which concluded with the issuance of a notice signed on a contested basis from which a determination of EUR 8,570 thousand arose (tax plus interest), against which the Company filed the corresponding appeals and claims. Against the Judgement of the National High Court, partially upheld the Group's claims, the corresponding cassation appeal was filed it before the Supreme Court. Even though the relevant appeals were filed, the tax liability arising from these Notices was paid and recognized as a credit vis à vis the Revenue Authorities. In previous years, the Tax Authority executed the resolution partially upheld by the TEAC, and refunded the Company EUR 7,441 thousand.

In 2014, audits began at the consolidated tax Group fiscal 2/91, of which Promotora de Informaciones, S.A. is the parent company, for income tax for the years 2009 to 2011. This audit also included VAT for the period from May 2010 to December 2011 of the consolidated tax Group 105/08 , of which Promotora de Informaciones, S.A. is the parent company, and the personal income tax withholdings and repayments (employees and professionals) corresponding to the period from May 2010 to December 2012 and non-resident income tax withholdings corresponding to the period 2011.

In the fiscal year 2016, the inspections referred to in the previous paragraph were completed.

As regards this inspections, an Act of Compliance of VAT was signed for the sum of EUR 512 thousand, which was paid and registered in the year and another, in Non-compliance, for EUR 7,785 thousand, which, although appealed against, has also been paid and recorded as a credit in the form of an advance, the discharge of which has commenced in the financial year and its effect recorded in the accounts (*see note 12*). Similarly, the inspection actions corresponding to the Corporate Income Tax for the years 2009 to 2011 have been completed, resulting, for Promotora de Informaciones, SA, in the signing of an Act of Non-Compliance with no result to be entered and whose accounting impact for the Entity, has generated the recording of a net income for Corporate Income Tax, amounting to EUR 4,779 thousand. The Company has filed a corresponding economic-administrative complaint with the TEAC disagreeing with these Assessments, which is pending resolution.

The Company, assessing the existence of the Supreme Court's dismissal (relating to the 2004 to 2006 VAT inspection), has proceeded to record the equity effect derived from said Judgement, recognizing and recording a expense of EUR 18,276 thousand.

The provision for taxes (*see note 12*) includes an amount of EUR 20,610 thousand to cover potential unfavorable rulings upheld during the various tax proceedings described above.

The Company, subject to the provisions of these paragraphs, has all state taxes open to examination for the last four years. Additionally, the Company has the last four years open to examination for all non-state taxes. It is not expected that there will be accrued liabilities of consideration to the Company in addition to those already registered, as a result of these procedures or of a future and possible inspection.

Transactions under the special regime

The disclosures required by Article 86 of the Spanish Corporation Tax Law relating to corporate restructuring transactions under the special regime of Chapter VII of Title VII of the aforementioned legislation, made in previous years, are included in the notes to the financial statements of the years in which these transactions took place.

In addition, such information regarding the operation of a non-monetary contribution made by Promotora de Informaciones, S.A. to the company Prisa Participadas, S.L. involving 100% of the shares owned by Prisa in the companies Prisa Tecnología. S.L., Prisa División Internacional, S.L. y Prisaprint S.L. and Grupo Santillana de Educación Global, S.L. (*see note 7.1*) is shown in the table below:

	Thousands of Euros	
	Countable	Fiscal
Book and tax value of delivered securities:		
- Prisa Tecnología, S.L.	- (*)	96,574
- Prisaprint, S.L.	3,388	258,030
- Prisa División Internacional, S.L.	170,339	170,339
- Grupo Santillana Educación Global, S.L.	65,826	49,336
Value by which values received have been recorded:		
- Prisa Participadas, S.L.	249,226	590,770

(*) There is a provision for additional risks and expenses, which is not included in the book value, worth 2,376.

The Company is assessing the possibility, within the expected period, of renouncing the special regime of fiscal neutrality and not accepting such a regime for the contribution operation of the stakes in the entity Santillana de Educación Global, S.L. to the company Prisa Participadas, S.L.

In the event of a waiver, the potential surplus value that could arise from the difference between the market value of the transferred shares and their tax value would be exempt from Corporate Income Tax, pursuant to article 21 of the Tax Law.

10.- INCOME AND EXPENSE

Employees

The detail of “*Employee benefits costs*” in the income statements for 2016 and 2015 is as follows (thousands of euros):

	2016	2015
Employer social security costs	691	964
Other employee benefit costs	113	216
Total	804	1,180

The average number of employees in 2016 was 55 and 2015 was 83, all of whom had a permanent employment contract. The detail, by gender and professional category, is as follows:

	2016		2015	
	Men	Women	Men	Women
Executives	11	7	17	6
Middle management	2	6	9	9
Qualified line personnel	6	13	10	21
Other	-	10	-	11
Total	19	36	36	47

The number of employees at December 31, 2016 was 53 and at December 31, 2015 was 77 all of whom had a permanent employment contract. The detail, by gender and professional category, is as follows:

	2016		2015	
	Men	Women	Men	Women
Executives	10	7	15	7
Middle management	2	6	8	8
Qualified line personnel	5	12	8	20
Other	1	10	-	11
Total	18	35	31	46

In 2016, there were no persons employed with disabilities equal or greater than 33%.

Outside services

The detail of "Outside services" in 2016 and 2015 is as follows:

	Thousands of Euros	
	12/31/2016	12/31/2015
Leases and fees	928	1,057
Repairs and maintenance	297	381
Independent professional services	10,470	9,740
Other outside services	8,067	7,054
Total	19,762	18,232

The "Other external services" includes an expense of EUR 281 thousand corresponding to the liability insurance of directors and administrators.

Fees paid to auditors

The fees for financial audit services relating to the 2016 financial statements of the various companies composing the Prisa Group and subsidiaries provided by Deloitte, S.L. and by other entities related to the auditor amounted to EUR 1,684 thousand (2015: EUR 1,530 thousand), of which EUR 180 thousand relate to Pomotora de Informaciones, S.A. (2015: EUR 180 thousand). Also, the fees relating to other auditors involved in the 2016 audit of the various Group companies amounted to EUR 361 thousand (2015: EUR 343 thousand).

In addition, the fees for other professional services provided to the various Group companies by the principal auditor and by other entities related to the auditor, and fees paid in this connection to other auditors participating in the audit of the various Group companies are as follows (in thousands of euros):

	Amount (thousands of euros)			
	2016		2015	
	Principal auditor	Other audit firms	Principal auditor	Other audit firms
Other verification services	472	22	548	98
Tax advisory services	222	348	396	362
Other services	747	1,189	102	306
Other professional services	1,441	1,559	1,046	766

Fees for other professional services provided to the Company by the principal auditor and by other entities related to the auditor are as follows:

	Amount (thousands of euros)	
	2016	2015
Other verification services	255	281
Tax advisory services	80	146
Other services	418	30
Other professional services	753	457

11.- FINANCIAL LOSS

The detail of "Financial loss" in the income statements is as follows:

	Thousands of Euros	
	12/31/2016	12/31/2015
Income from temporary financial investments	107	651
Income from loans	1,627	3,806
Other financial income	39,283	83,915
Financial income	41,017	88,372
Interest on debts with Group companies	(2,085)	(5,912)
Interest on debts with third parties	(42,177)	(62,974)
Loan arrangement costs	(17,828)	(59,128)
Other financial expenses	(17,870)	(12,544)
Financial expenses	(79,960)	(140,558)
Change in fair value of financial instruments	-	726
Positive exchange differences	52	25
Negative exchange differences	(49)	(162)
Net exchange differences	3	(137)
Impairment and losses of financial instruments	62,710	(10,536)
Financial outcome	23,770	(62,133)

In 2016, the “*Other finance income*” mainly includes capital gains on purchases of debt at a discount (EUR 20,667 thousand) and the income generated for the fair value of the bonds issue, mandatorily convertible into shares (*see note 8*).

In 2015 , the “*Other finance income*” included capital gains on purchases of debt at a discount (EUR 45,262 thousand) and the income generated for the sale of 3.63% of Mediaset España for an amount of EUR 38,653 thousand for the different between the sale price and the value of the stake sold (*see note 7.1*).

12.- PROVISIONS AND CONTINGENCIES

The changes in “*Provisions and contingencies*” in 2016 are as follows (in thousands of euros):

	Balance at 12/31/2015	Additions	Reversals	Transfers	Disposals	Balance at 12/31/2016
Provision for taxes-	17,800	29,996	-	-	(27,186)	20,610
Provision for litigation in progress	985	-	-	-	-	985
Provisions for third-party liability-	92,350	5,493	(91)	(91,802)	(2,387)	3,564
Total cost	111,135	35,489	(91)	(91,802)	(29,573)	25,158

In the year the "Provision for Taxes" movement (See Note 9) corresponds to (i) the additions, as a consequence of the accounting record derived from the impact of the VAT inspections and the negative equity effect of Corporate Income Tax (ii) and the withdrawals arising from the write-off of the provision against the sum of the positive accounting impact derived from the Corporate Income Tax inspection and from totally applying the balance of the provision to cancel the full amount of the advances recorded for the payment of the VAT reports.

In relation to the heading “*Provision for litigation underway*”, the Company has provisioned EUR 960 thousand corresponding to the Supreme Court ruling dated 13 November 2015 confirming a penalty imposed on Warner Sogefilms, whereby the CNMC will initiate a procedure to determine the amount of the fine. 40% of that amount must be covered by the Company as a result of its merger with Sogecable S.A.

The additions under the heading “*Provisions for third-party liability*” correspond basically to the increases in the provisions established to cover the negative equity of the Prisa Audiovisual, S.L.U. company as of December 31, 2016 (EUR 1,783 thousand) and the increases in the provisions established to Prisa Tecnología S,L. until the moment of its contribution to Prisa Participadas, S.L. (EUR 3,698 thousand).

The withdrawals under the heading “*Provisions for third-party liability*” correspond basically to the withdrawal in the provision established to Prisa Tecnología, S.L. for its contribution to Prisa Participadas, S.L..

The amounts described above have been recognized with a charge to the heading “*Impairment of financial assets*” in the accompanying income statement.

The transfers under the heading “*Provisions for third-party liability*” correspond basically to amounts that have been transferred at a lower value for the stake due to the contribution made to re-establish their balance in subsidiary companies in 2016 (see note 7.1).

13.- SHARE-BASED PAYMENTS

The Ordinary Shareholders Meeting held on April 28, 2014 authorised delivery, over a term of five years, of shares of the Company as payment of compensation of directors of the Company and a defined group of executives of the Prisa Group. This authorisation may be used in particular, and without limitation, to make payment in shares in the following compensation categories:

i) Fixed remuneration for belonging to the Board is payable to each of the external directors, to be chosen by them, entirely in cash or 60% cash and 40% in shares of Prisa:

When the choice of director is partial payment in shares of Prisa, they are delivered quarterly. It is recognized an expense for this item on the income statement for 2016 in the amount of EUR 222 thousand.

The 29,774 shares accrued in this category over that period have not yet been fully delivered.

In December 2016 Prisa delivered 6,515 shares in partial payment of the fixed compensation of external directors for the fourth quarter of 2015. The corresponding expense was entered in the profit and loss account for 2015 in the amount of EUR 45 thousand.

ii) Variable annual compensation (annual bonus) of the executive directors of the Company and the Management Team of Prisa Group, when it has been resolved that it will be paid in whole or in part in Prisa shares:

In 2016, a part of the annual variable remuneration corresponding to the year 2013 of the Executive President, Mr. Juan Luis Cebrián Echarri, has been settled in shares (which was partially paid in cash in the year 2014 and with PRISA shares in February 2016, according to the terms of his contract). The total amount of the 54,042 shares delivered was recorded as an expense in the amount of EUR 632 thousand in the income statement for the year 2013, although in 2016 there has been an accounting adjustment made after the settlement of this remuneration in the amount of EUR 301 thousand.

iii) Long term variable compensation (long term incentive) of executive directors of the Company and the Management team of Prisa Group:

Pursuant to the terms of his contract with the Company, the Executive President, Mr. Juan Luis Cebrián Echarri, will be entitled to receive a multi-year variable incentive, payable in shares of Prisa, subject to the fulfilment of the strategic objectives to be set by the Board of Directors, for the period 2016-2018. In the profit and loss account for 2016 there is an expense in the amount of EUR 500 thousand in this category.

- Likewise, in April 2016 Mr. Cebrián has received 39,202 shares in settlement of a multiyear variable incentive, which was payable from January 2016. The corresponding accounting expenses were recorded in the income statement of previous years, although in 2016 there has been a lower expense in the amount of EUR 157 thousand for the accounting regularization made after the settlement of this remuneration.
- The Ordinary Shareholders Meeting held on April 28, 2014 authorised a long term incentive of the Company (ILP), whereby a given number of ordinary shares of the Company and a given amount of cash may be delivered to a specific group of executive directors of the Company and key managers of the Group, based on their level of responsibility and contribution to the results of the Group, as variable compensation tied to achievement of long term objectives. The Plan is for a term of three years, from January 1, 2014 to December 31, 2016.

Of the three executive directors, only Mr. Manuel Polanco Moreno is a current beneficiary of the ILP.

In 2016, an amount of EUR 871 thousand has been reversed due to the failure to meet the expected management objectives.

- Pursuant to the terms of his contract with the Company, the executive director Mr. José Luis Sainz is entitled to receive a multi-year variable incentive, payable in shares of Prisa, subject to fulfilment of the strategic plans of the Company and his personal performance, for the 2014-2016 and 2017-2018 periods. As for the 2014-2016 period, the corresponding provision has been reversed in 2016, since the objectives established have not been met, for the amount of EUR 486 thousand.

14.- GUARANTEE COMMITMENTS TO THIRD PARTIES

At December 31, 2016, Prisa had furnished bank guarantees amounting to EUR 1,690 thousand.

In the opinion of the Company's Directors, the possible effect on the accompanying income statements of the guarantees provided would not be significant.

15.- FUTURE COMMITMENTS

By virtue of an agreement entered into with Indra Sistemas, S.A. on December 22, 2009, Prisa assumed payment commitments totalling EUR 267,225 thousand with the aforementioned company for the next seven years. In 2012, the scope of the project changed, affecting the service in Latin America and Spain, and certain criteria for the invoicing were modified, while the straight-line in arrears model was replaced with a consumption-based model in several services. As a result of these changes, the amount of the future commitments initially agreed on has also changed.

Invoicing in the years 2010 to 2016 has reached EUR 180,377 thousand and the new future commitments estimated for 2017 amount to EUR 19,241 thousand.

Additionally, from 2013 Indra directly bill each business unit for the expenses associate with the services rendered, and each business unit undertake the payment of the quantities billed. Prisa considers the service used like another business unit.

Past-due payments to creditors-

The information required by the third additional provision of Law 15/2010, of 5 July (mended by the second final provision of Law 31/2014, of 3 December) approved in accordance with the resolution of ICAC (Spanish Accounting and Audit Institute) of 29 January 2016, in relation to the average period of payment to suppliers in commercial operations, is as follows.

As permitted by Sole Additional Provision of the aforementioned Resolution, being this the first year of its application, comparative information is not submitted.

	2016	2015
	<i>Days</i>	<i>Days</i>
Average payment period to suppliers	68	74
Ratio paid operations	62	74
Ratio of outstanding payment transactions	102	73
	<i>Amount (thousands of euros)</i>	<i>ount (thousands of euros)</i>
Total payments	23,862	25,420
Total outstanding payments	3,715	3,443

According to the ICAC Resolution, the calculation of the average period of payment to suppliers has taken into account the commercial operations corresponding to the delivery of goods or services rendered from the date of entry into force of Law 31/2014, of 3 December.

For the sole purposes of providing the information set forth in this Resolution, providers shall mean business creditors for debts with providers of goods or services included in headings "Providers", "Group and associated companies providers" and "Sundry accounts payable" of the current liabilities of the balance sheet.

"Average period of payment to suppliers" is understood to mean the period from the delivery of the goods or provision of the services by the supplier to the eventual payment of the transaction.

The maximum legal period of payment applicable in 2016 under Law 3/2004, of 29 December, for combating late payment in commercial transactions, is 60 days. The average period of payment to the Company's suppliers exceeds the statutory maximum period partially on account of agreements arrived at with suppliers to defer payments or, where relevant, to initiate expenditure.

16.- RELATED PARTY TRANSACTIONS

The transactions performed with Group companies, associates and related parties in 2016 and 2015 are as follows in thousands of euros:

	12/31/2016		12/31/2015	
	Group companies or entities	Significant shareholders	Group companies or entities	Significant shareholders
Receivables	2,260	75	2,059	-
Financial credits	34,296	-	176,242	36,343
Total receivable accounts	36,556	75	178,301	36,343
Trade payables	310	548	257	636
Financial loans	118,037	514,305	974,377	619,886
Total payable accounts	118,347	514,853	974,634	620,522

The transactions performed with Group companies, associates and related parties in 2016 and 2015 are as follows in thousands of euros:

	12/31/2016			12/31/2015		
	Directors and executives	Group companies or entities	Significant shareholders	Directors and executives	Group employees, companies or entities	Significant shareholders
Services received	-	2,085	15,119	-	5,912	18,194
Finance expenses	90	4,434	1,798	90	2,358	1,914
Other expenses	8,701	-	348	13,029	-	3,612
Total expenses	8,791	6,519	17,265	13,119	8,270	23,720
Finance income	-	1,627	18,401	-	3,806	105
Dividends received	-	10,527	-	-	10,047	-
Other income	-	11,417	-	-	11,262	64
Total revenues	-	23,571	18,401	-	25,115	169

All related party transactions have taken place under market conditions.

The amount of EUR 8,701 thousand relates to the accrued salaries of directors for the amount of EUR 5,185 thousand (*see Note 17*) and executives for the amount of EUR 3,516 thousand.

The Finance income for the amount of EUR 18,401 thousand corresponds to the income generated for the fair value of the bonds issue (*see note 8*).

Remuneration of senior executives-

The total aggregate compensation of members of senior management in 2016, of Promotora de Informaciones, S.A. and other companies in the Group amounts to EUR 3,516 thousand (EUR 6,597 thousand in 2015).

This compensation is the accounting reflection of the overall compensation of executives and therefore do not match with the remuneration accrued in 2016 that is included in the Annual Report of Corporate Governance in which is followed the criteria as required by the CNMV, in the "Circular 7/2015 of the CNMV" and, by references, in the "Circular 4/2013 of the CNMV, whereby the model of annual report remuneration of directors is established", which is not an accounting provision basis.

The aggregate compensation of the managers is the compensation of members of senior management, that being understood to be the members of the Business Management Committee that are not executive directors and have an employment relationship with Prisa and other companies in the Group and, furthermore, the internal audit manager of Promotora de Informaciones, S.A. Specifically, it is that of the following managers: Mr. Fernando Martínez Albacete, Mr. Antonio García-Mon, Ms. Bárbara Manrique de Lara, Ms. Noelia Fernández Arroyo, Mr. Miguel Angel Cayuela Sebastián, Mr. Andrés Cardó Soria, Mr. Manuel Mirat Santiago, Mr. Ignacio Soto Pérez, Ms. Rosa Culler and Ms. Virginia Fernández.

The remuneration of Mr Antonio Alonso Salterain until his resignation as Chief Revenue Officer, in June 2016, is also included within the total compensation of senior management. It has been included the remuneration of Mr. Ignacio Soto from his appointment as Chief Revenue Officer, in July 2016.

The total aggregate remuneration of the members of senior management includes, inter alia:

- Annual variable compensation (bonus): reflection of the amount corresponding to theoretical annual variable compensation of the executives if management objectives are achieved. However, since this compensation is subject to achievement of the management objectives at the end of the year 2016, the accounting figure in no way constitutes acknowledgment that that variable compensation has accrued, which will occur, if at all, once the year is closed and the annual accounts of the Group are prepared, based on the level of achievement of the established objectives.
- The accounting adjustment made after the settlement of 2015 bonus, paid in April 2016.
- Long-term variable (ILP) approved by the Ordinary Shareholders' Meeting held on April 28, 2014, payable in the year 2017 into ordinary shares of the Company and cash: In 2016, the expenditure corresponding to those managers who have met the management objectives has been recorded for the amount of EUR 196 thousand, and the part of those managers who have not met these objectives has been reversed for the amount of EUR 930 thousand.

Transactions between Group companies, associates and related parties-

Income from services rendered corresponds basically to central corporate services.

The detail, by company, of the dividend income paid by Group companies in 2016 and 2015 is as follows in thousands of euros:

	2016	2015
Mediaset España Comunicación, S.A.	52	11
Total Related	10,527	10,047
Vertex, S.G.P.S.	10,500	10,000
Canal Club, S.A.	27	47
Total	10,579	10,058

Transactions between with significant shareholders -

The aggregate amount of EUR 17,265 thousand mainly consists of interest accruing on credits granted by major shareholders to Prisa and expenditure on telephony and Internet by Prisa with Telefónica, S.A.

Transactions with significant shareholders -

The detail of other transactions performed with related parties is as follows in thousands of euros:

2016

	12/31/2016
	Significant shareholders
Other transactions (<i>see note 8</i>)	84,292

The sum of EUR 84,292 thousand corresponds to the issue of bonds that are convertible into shares made during the year, including the remuneration accrued up (*see note 8*).

2015

	12/31/2015
	Significant shareholders
Financing agreements: capital contributions (see Note 8)	64,000

The amount of EUR 64,000 thousand corresponded to the capital increase subscribed by International Media Group, S.a.r. (see Note 8).

Other transactions with other related parties-

On December 2016, a statement of intent had signed by Fundación Santillana, Prisa and Prisa Noticias, S.L., under which, subject to obtaining the authorizations, Fundación Santillana sells to Prisa Noticias, S.L. its shares of Diario El País, S.L. and Ediciones El País, S.L. These stakes are classed as “founders’ stakes” and confer a raft of special voting rights. In accordance with the valuation of an independence third party, the sale-purchase price is EUR 3,000 thousands.

In connection with this agreement, in 2016 Prisa has paid to the Fundación Santillana, on behalf of Prisa Noticias, S.L., a first payment of EUR 1,000 thousand.

17.- REMUNERATION AND OTHER BENEFITS OF DIRECTORS

In 2016 and 2015, Promotora de Informaciones, S.A. registered the following amounts in respect of remuneration to Board members:

	Thousands of euros	
	12/31/2016	12/31/2015
Fixed remuneration	2,210	2,057
Variable remuneration	978	2,411
Attendance fees	515	392
Bylaw-stipulated directors’ emoluments	1,402	1,225
Other	80	347
Total	5,185	6,432

Note: The above table includes the remuneration of executive directors

Regarding the 2016 financial year:

i) The overall compensation of the Board of Directors includes the remuneration of Ms. Arianna Huffington, Ms. Agnes Noguera Borel, Mr. Borja Pérez Arauna and Mr. Claudio Boada Pallerés, until they ceased as directors in 2016.

ii) The aggregated remuneration of directors reflected in the table above corresponds to the accounting provisions made in the income statement of Promotora de Informaciones, S.A. (Prisa).

iii) Therefore the compensation included in the table above, do not match, in some respects, with the remuneration accrued in 2016 that is included in the Annual Remuneration Report of the Directors (IR) and in the Annual Report on Corporate Governance (IAGC), in which is followed as the criteria required by the CNMV in the "Circular 4/2013 of the CNMV, whereby the model of annual report remuneration of directors is established" which is not the accounting provision basis.

iv) Items included in the variable remuneration of directors in the above table and the differences with the amounts declared in the IR and the IAGC, are the following:

- Annual variable compensation (bonus): accounting provisions of the amount corresponding to theoretical annual variable compensation of the directors if management objectives are achieved. However, since this compensation is subject to achievement of the management objectives at the end of the year 2016, the accounting figure in no way constitutes acknowledgment that that variable compensation has accrued, which will occur, if at all, once the year is closed and the annual accounts of the Group are prepared, based on the level of achievement of the established objectives.
- The accounting adjustment made after the settlement of 2015 bonus, paid in 2016.
- Multi-year variable incentive of the Executive President, Mr. Juan Luis Cebrián Echarri, payable in shares of Prisa for the period 2016-2018, subject to the fulfilment of the strategic objectives to be set by the Board of Directors: the above table includes the accounting expenses recorded in the income statement of 2016 in the amount of EUR 500 thousand. In the Annual Report on Remuneration of Directors, no amount has been included within the remuneration accrued in the year 2016.
- The following compensations of the Executive Chairman, Mr Juan Luis Cebrián Echarri, settled in shares in 2016, are not included in the table above because the corresponding accounting expense was recorded in the income statement of previous years:
 - Variable multiyear incentive (settled in shares in April 2016). Notwithstanding the accounting regularization in the negative amount of EUR 157 thousand made after the settlement of this compensation, is included in the table above.
 - 2013 annual variable remuneration (which was partially paid in cash in the year 2014 and with PRISA shares in February 2016, according to the terms of his contract).

v) In relation to the long-term variable remunerations of the executive directors Mr Jose Luis Sainz and Mr Manuel Polanco Moreno, the corresponding provision has been reversed in 2016, since the objectives established have not been met, for the amount of EUR 705 thousand.

vi) Also under "Other" are included the EUR 90,000 received by the director Mr. Gregorio Marañón y Bertran de Lis for the rendering of legal services, but this amount is included in the tables of section D of the Annual Report on Remuneration of Directors.

Information about this transaction is included in note 16 "Related party transactions" of this report.

vii) No other credits, advances or loans occurred, nor were pension obligations incurred, in respect of the Board of Directors during 2016.

18.- INFORMATION REGARDING CONFLICT OF INTEREST SITUATIONS OF DIRECTORS

For purposes of article 229 of the Capital Companies Act it is noted that, as at the end of 2016, the Board of Directors had not been advised of direct or indirect conflict situations that directors or persons related thereto (in accordance with article 231 of the aforesaid Act) might have had with the interests of the Company.

Notwithstanding the foregoing, the Board of Directors has been informed by the Directors of the following activities carried out by them or by certain persons related thereto, in companies engaged in activities of the same or an analogous or complementary kind as the one constituting the purpose of the Company or the companies in its Group:

Director	Activity	Person related to the Director	Activity
Juan Luis Cebrián Echarri	Director of the following companies: Le Monde, Le Monde Libre and Societe Editrice Du Monde.		
Gregorio Marañón	Chairman of Universal Music Spain, S.L.		
Manuel Polanco Moreno	Joint and Several Director of Canal Club de Distribución de Ocio y Cultura, S.A.		
John Paton	Director of Guardian Media Group.		
José Luis Leal Maldonado	0.05% interest in the share capital of Punto y Seguido, S.A.		
Alain Minc	Director of Caixabank, S.A. (significant shareholder of Prisa and one of the Prisa creditor banking institutions with which the Company's refinancing was signed).	Son	Director of Development and Investments of the Lagardère Group's innovation network.
Joseph Oughourlian	<i>See note below (*)</i>		
Shk. Dr. Khalid bin Thani bin Abdullah Al-Thani	Vice Chairman de Dar Al Sharq Printing Publishing & Distribution Co. Vice Chairman de Dar Al Arab Publishing & Distribution Co.		

Director	Activity	Person related to the Director	Activity
Glen Moreno	Senior Advisor for Financial Institutions at HSBC (significant shareholder of PRISA and one of the PRISA creditor banking institutions with which the Company's refinancing was signed). Holder of 30,000 ordinary shares (represented by ADRs) of Pearson Plc.		
Dominique D'Hinnin	0.1% interest in the share capital of Lagardère SCA.		

(*). Mr. Joseph Oughourlian controls Amber Capital, its affiliates and subsidiaries (together "Amber Capital"), which act as investment manager, general partners, managing members and managers to funds, accounts, and other investment vehicles (together, the "Amber Funds") that invest in public and private companies in Europe, North America and Latin America, which includes trading in entities with activities the same, similar or complementary to Prisa. Mr. Oughourlian also act as a managing partner to Amber Capital and as a portfolio manager to various Amber Funds.

The companies in the Prisa Group are not included in this list. As already indicated in the Annual Corporate Governance Report of the Company, the following Directors of Promotora de Informaciones, S.A. are members of management bodies of certain companies in the Prisa Group: Juan Luis Cebrián Echarri, José Luis Sainz Díaz, Manuel Polanco Moreno and John Paton.

19.- LITIGATION AND ONGOING CLAIMS

On 24 July 2006 Audiovisual Sport, S.L. ("AVS"), Sogecable, S.A.U. (now Prisa), TVC Multimedia, S.L. and Mediaproducción, S.L. ("Mediapro") reached an agreement for the exploitation of the Football League rights for the 2006/07 season and subsequent seasons. The main object of this agreement was to maintain the televised football exploitation model that had allowed, under AVS' coordination, the broadcasting of all League matches in a peaceful, stable and orderly manner since 1997.

In that agreement, the parties agreed to provide AVS with all agreements governing the rights of various football Clubs for their joint exploitation by the latter company. In addition, it was also agreed to sell to Mediapro the rights for the exploitation of freeview television and the exploitation rights in international markets, as well as Mediapro's entry into AVS's share capital.

Following Mediapro's repeated breaches of the agreement from the moment immediately following its signature, and its failure to pay the amounts owed to AVS, the latter filed a lawsuit against Mediapro on 3 July 2007, which was extended on 31 July 2007.

On 28 September 2007 Mediapro replied to the claim and issued a counter-claim against the other signatories of the agreement of 24 July 2006, claiming that it was void.

On 8 October 2007 Madrid Court of First Instance no. 36 granted the interim measures (*injunctive relief*) requested by AVS against Mediapro, holding that the First Division Clubs' rights relating to the 2007/2008 season to which the application for interim measures related belonged to AVS, and also resolving that "Mediapro be forbidden, during the 2007/08 football season, to make any disposal of exploitation of the audiovisual rights assigned to AVS, except for any legitimate use of said rights further to the legal relationship arising from the Agreement of 24 July 2006".

In compliance with the said order, AVS submitted to the Court a guarantee for the sum of €50 million to secure compliance with its contractual obligations. The order of 8 October 2007 was revoked by the Provincial Court of Madrid in July 2008, and the above mentioned guarantee remains at the disposal of the Court of First Instance until the end of the proceedings for the settlement of damages.

Once the 9 January 2015 judgment became final (as explained below), on 14 September 2015 Mediapro requested that the suspension be lifted and that the proceeding in relation to the interim measures of 8 October 2008 continue. With a judicial order of 28 September 2015, the Court agreed to proceed with the proceedings and, considering the Supreme Court ruling, requested a court-appointed expert to determine the amount of possible damages arising from the adoption of the interim measures, granting a term until February 2017 in which to do so. As a guarantee in that proceeding, the AVS's 50 million euro security remains in deposit at the Court.

In its judgment of 15 March 2010, the Court fully upheld the claim filed by AVS in July, 2007, dismissing the counter-claim brought by Mediapro against AVS, Prisa and TVC. In its judgment, the Court ordered Mediapro to pay AVS more than €95 million by way of outstanding amounts owed to AVS under the provisions of the agreement of 24 July 2006, as well as by way of damages arising from the above mentioned breaches. The judgment also ordered Mediapro to provide AVS with the contracts concluded by the latter with the football clubs and to inform them of the assignment of those contracts in favour of AVS.

Mediapro appealed against this judgment (*recurso de apelación*), and AVS requested its provisional enforcement on 9 June 2010. In an order issued on 21 June 2010, the Court dispatched the enforcement requested, although the enforcement was suspended following the application and subsequent declaration of Mediapro's bankruptcy, which is being dealt with by Barcelona Commercial Court number 7 (bankruptcy number 497/2010).

In a ruling dated 14 November 2012, the Provincial Court of Madrid essentially confirmed the lower court's judgment, finding in favour of Mediapro's appeal only with regard to the length of the contract of 24 July 2006, which it declared terminated at the end of the 2008/2009 season.

AVS filed an appeal to the highest instance (The Supreme Court), alleging a procedural infringement against the said judgment. The Supreme Court, in its judgment dated 9 January 2015, partially admits the first argument of the Mediapro appeal for procedural

infringement and condemns Mediapro to pay AVS €32 million plus interests (amounts that were duly satisfied during the 2015 tax year).

The Supreme Court judgment enters into the question not solved in the Provincial Court of Madrid in relation to the claim of nullity of the clause fifth of the Agreement dated 24 July 2006. The Supreme Court declares that the ruling of the *Audiencia Nacional* dated 22 May 2013, which is firm and confirms the Ruling of the CNMC dated 14 April 2010 that declares the nullity of the t clause fifth of the Agreement dated 24 July 2006, is contrary to article 1 of the LDC. The consequence is the entire nullity of the Agreement. Moreover, the ruling extends the effects of such nullity to the clause fifth of the Agreement, since all clauses of the agreement tried to restring the competition.

Afterwards, on June 20, 2016 AVS filed a complaint against Mediapro seeking compensation for damages sustained by AVS as a result of Mediapro's unlawful use of its audiovisual rights during the 2007-08 and 2008-09 seasons. Given the fact that the agreement of July 24, 2006 was declared null and void by the Supreme Court and given that during the 2007-08 and 2008-09 seasons Mediapro and AVS commercialized and exploited the audiovisual rights of certain First and Second Division soccer clubs that the clubs had assigned individually and exclusively to either AVS or Mediapro, AVS has filed a complaint in the Barcelona courts seeking to recover from Mediapro the net profits unduly obtained by Mediapro for the exploitation of the audiovisual rights of those clubs whose rights were held by AVS, minus the net profit unduly obtained by AVS from exploitation of the rights of the clubs held by Mediapro. The complaint was accompanied by an expert opinion concluding that the difference between the net profits unduly obtained by AVS and Mediapro shows a balance in AVS's favor in the amount of €85,116,801, that is the amount that AVS is seeking for in the complaint filed on June 20, 2016. Mediapro duly answered the complaint, raising a res judicata defence as its principal procedural position and presenting an expert opinion to counter the conclusions of the expert opinion presented by AVS, and Barcelona Court No. 37 scheduled the pretrial hearing for 29 January 2017. At that hearing the Judge of Court No. 37 set the trial for 7 June 2017.

On the other hand, a complaint was filed on May 12, 2016 at the Civil Trial Court in Colmenar Viejo in which Mediaproducción, S.L.U. and Imagina Media Audiovisual (the "Plaintiffs") have petitioned the court to find AVS and DTS jointly and severally liable for payment of the compensation sought (€89,739,490.18). Plaintiffs allege that Mediapro was forced into proceedings in which it was declared insolvent, having been deliberately placed in a situation of imminent insolvency given that on June 16, 2010 (i) Mediapro was informed that AVS had petitioned the court for the provisional enforcement of the judgment of March 15, 2010 ordering Mediapro to pay AVS 104.6 million euros and (ii) DTS sent Mediapro a letter announcing that it would not continue to comply with the June 4, 2009 contract for the exploitation of audiovisual rights for the League and Cup soccer matches during the 2009-2010, 2010-2011 and 2011-2012 seasons if Mediapro did not provide a bond guaranteeing that if Mediapro failed to fulfill its obligations, Mediapro would proceed to reimburse DTS for the amounts already delivered (thus, DTS announced that it would not pay the €91,200,000 that it owed under the contract). According to Mediapro, the petition for execution of judgment, together with DTS's concerted breach of the June 4, 2009 contract undermined the basis on which Mediapro's financial institutions had been willing to

provide Mediapro with the amounts required to satisfy the compensation demanded by AVS.

Given its imminent insolvency due to the impossibility of paying the compensation and being unable to negotiate an agreement with its financial institutions, on June 16, 2010 Mediapro commenced proceedings to be declared insolvent. In view of the above, Mediapro considers that AVS and DTS intentionally provoked its insolvency and (based on an expert opinion provided) deems the damages incurred by Mediapro and the Imagina Group amount to €89,739,490.18, as a consequence of the declared insolvency.

Both DTS and AVS duly answered Mediapro's complaint, and their pleadings were declared admissible at the First Instance Court No. 82 of Madrid, which scheduled the pretrial hearing for May 25, 2017.

On the other hand, the contract for the sale of shares concluded between the member *Televisió de Catalunya Multimedia, S.L.*, *Televisió de Catalunya, S.A.*, Prisa and AVS on 15 October 2009 also provided for the abandonment of all ongoing court cases in which any of these companies or their legal representatives were parties as defendants. At present, those cases have been abandoned but the said contract is still awaiting the authorisation of the *Generalitat de Catalunya* Government, as its effectiveness was made subject to such authorisation.

Finally, Prisa is engaged in a dispute with Indra Sistemas, S.A., ("*Indra*") as a consequence of Indra's attempt to unilaterally terminate the Framework Contract of 22 December 2009 to outsource all services related to information technology management and development of R&D+innovation projects (hereinafter, the "*Contract*"), given that Indra's termination is unlawful since there has been no material breach of the obligations undertaken in the Contract on the part of Prisa, nor any form of breach that would frustrate the objectives of the Contract.

In consequence, in July, 2016 Prisa filed a provisional remedies petition demanding that Contract Clause 7.3 be applied and seeking injunctive relief prohibiting the defendant Indra from interrupting or terminating the fulfillment of its obligations under the Contract prior to the end of the term stipulated in Clause 6, that is, prior to 31 December 2017.

In these judicial proceedings, a hearing was held on 15 July 2016, after which on 20 July 2016 an order was issued granting Prisa the interim relief sought and prohibiting defendant Indra from interrupting or terminating the fulfillment of its obligations under the Contract prior to the term stipulated therein, that is, prior to 31 December 2017.

As security for the remedy sought, a bond was posted in cash in the amount of EUR 3,788 thousand, duly deposited in the Court account.

Prisa subsequently commenced ordinary civil proceedings no. 941/2016 at First Instance Court No. 69 in Madrid, as indicated in the application for injunctive relief. In this principal proceeding the declared amount in controversy is EUR 22,728 thousand and, in summary, seeks to have the unilateral termination of the Contract declared unlawful, that it should continue in force until the end of the agreed term of 31 December 2017, and that the

conditions applicable thereunder are the same as those previously applied from 2012 through 2015.

In other respects, Indra commenced ordinary civil proceedings no. 848/2016 against Prisa at First Instance Court No. 4 in Madrid. In these proceedings Indra is seeking to have its 25 May 2016 unilateral termination of the Contract declared lawful, that Prisa be held responsible for the consequences of said termination of contract, and that Prisa has incurred in other instances of breach of contract in addition to those alleged as causes for early termination. Indra is demanding a total of EUR 49,951 thousand.

Prisa filed its answer to that complaint on 16 January 2017, first claiming that its pending proceeding no. 941/2016 described above should result in the suspension of Indra's proceeding no. 848/2016 until the end of the proceeding underway at Court No. 69 (proceeding no. 941/2016), in addition to raising defenses to all of the allegations contained in the complaint.

Indra has applied for joinder of its claim in the proceeding being heard in Court No. 69 in Madrid in a petition filed at that court, which Prisa has opposed and which is currently pending the court's decision.

The Company's Directors, internal and external legal advisors do not believe that resolution of this litigation will entail any relevant liabilities not registered by the Company.

In addition, the Company has other litigation for smaller amounts. The Directors, internal and external advisors do not consider that any relevant liabilities will arise from this litigation.

20.- EVEN AFTER THE REPORTING PERIOD

No significant events have occurred since December 31, 2016 until the date of approval of these financial statements.

21.- EXPLANATION ADDED FOR TRANSLATION TO ENGLISH

These financial statements are presented on the basis of accounting principles generally accepted in Spain. Certain accounting practices applied by the Company that conform with generally accepted accounting principles in Spain may not conform with generally accepted accounting principles in other countries.

DIRECT HOLDINGS

APPENDIX I

INVESTEES	REGISTERED OFFICE	LINE OF BUSINESS	12-31-2016 (In thousands of euros)							
			CARRYING AMOUNT	% OF OWNERSHIP	TAX GROUP	SHARE CAPITAL	RESERVAS	RESULTADO NETO	SHAREHOLDERS' EQUITY	EBIT
Prisa Brand Solutions, S.L.U.	C/ Valentin Beato, 48. Madrid	Contracting of advertising exclusives	9,787	100,00%	2/91	150	9,205	86	9,441	46
Audiovisual Sport, S.L.	Calle Diagonal, 477. Barcelona	Management and distribution of audiovisual rights	-	80,00%	2/91	6,220	804	3,608	10,632	3,660
Prisa Audiovisual, S.L.U.	Gran Vía, 32. Madrid	Holding company	-	100,00%	2/91	3	-	(1,786)	(1,783)	(1,786)
Prisa Gestión de Servicios, S.L.	Gran Vía, 32. Madrid	Management and development of all types of administrative, accounting, financial, personnel selection, human resources and legal	3	100,00%	2/91	3	2	78	83	104
Prisa Participadas, S.L.	Gran Vía, 32. Madrid	Rent of commercial and industrial premises and constitution and management of companies	502,977	100,00%	2/91	71,426	425,998	(22,653)	474,770	(22,392)
Promotora Audiovisual de Colombia PA CSA, S.A.	Calle 70, N° 4-60, T1001. Bogotá, Colombia	Audiovisual and communication activities	94	53,00%	-	177	-	-	177	-
Promotora de Actividades America 2010, S.L.	Gran Vía, 32. Madrid	Production and organization of activities marking the bicentenary of American independence	-	100,00%	2/91	10	(1,778)	(4)	(1,772)	(1)
Promotora de Actividades Audiovisuales de Colombia, Ltda.	Calle 80, 10 23. Bogotá, Colombia	Production and distribution of audiovisual content	-	99,00%	-	420	(353)	-	69	-
Vertix, SGPS, S.A.	Rua Marto Castelhamo, n° 40, Queluz de Baixo, Portugal	Holding company	397,901	100,00%	-	268,041	72,050	17,448	357,538	17,719
Diario El País México, S.A. de C.V.	Calle Hermosilla, 112. Madrid	Catalogue sales	42	25,00%	-	60	16	95	172	95
Prisa Noticias, S.L.	Avenida Universidad 767, Colonia del Valle, México D.F., México	Operation of El País newspaper in Mexico	-	97,06%	-	10,043	(7,053)	(1,051)	1,939	(1,083)
Promotora General de Revistas, S.A.	Gran Vía, 32. Madrid	Management and operation of the media	96,126	100,00%	2/91	38,596	(15,094)	60,731	84,233	61,635
Promotora de Emisora, S.L.	Valentin Beato, 48. Madrid	Publication production and operation of magazines	1	99,96%	2/91	1,500	734	549	2,783	798
Promotora de Emisora de Televisión, S.A.	Gran Vía, 32. Madrid	Radio broadcasting services	23,335	100,00%	2/91	2,500	20,111	751	23,362	613
	Gran Vía, 32. Madrid	Operation of television channels	3,626	25,00%	2/91	19,061	(5,990)	1,432	14,502	1,542

(*) Grupo de consolidación fiscal Promotora de Informaciones, S.A. 2/91

INVESTEES	REGISTERED OFFICE	LINE OF BUSINESS	12-31-2016 (in thousands of euros)				EBIT
			% OF OWNERSHIP	TAX GROUP (*)	SHARE CAPITAL	SHAREHOLDERS' EQUITY	
PRISA EDUCACIÓN							
Activa Educa, S.A. (Guatemala)	26 Avenida 2-20 zona 14 . Guatemala - Guatemala	Publishing	75.00%		623	(163)	(442)
Avallia Qualidade Educacional Ltda.	Rua Padre Adelino, 758. Belezinho. Sao Paulo. Brasil	Publishing	71.95%		596	293	314
Distribuidora y Editora Richmond, S.A.	Edificio Punto 99, Carrera 11ª N°98-50 Oficina 501. Bogotá. Colombia	Publishing	75.00%		113	691	589
Ediciones Grazalema, S.L.	Rafael Beca Mateos, 3. Sevilla	Publishing	75.00%	2/91	60	131	(4)
Ediciones Santillana Inc.	1506 Roosevelt Avenue. Guaynabo. Puerto Rico	Publishing	75.00%		1,065	8,840	1,697
Ediciones Santillana, S.A. (Argentina)	Leandro N. Alem. 720. Buenos Aires. 1001. Argentina	Publishing	75.00%		5,316	4,535	4,986
Ediciones Santillana, S.A. (Uruguay)	Juan Manuel Blanes 1132 Montevideo Uruguay	Publishing	75.00%		147	1,096	344
Edicions Obradoiro, S.L.	Ruela de Entrecercos. 2 2º B. 15705. Santiago de Compostela	Publishing	75.00%	2/91	60	76	-
Edicions Voramar, S.A.	Valencia, 44. 46210. Pincaya. Valencia	Publishing	75.00%	2/91	60	91	(3)
Editora Moderna Ltda.	Rua Padre Adelino, 758. Belezinho. Sao Paulo. Brasil	Publishing	75.00%		20,587	45,318	23,852
Editora Pintangua, LTDA	Rua Urbano Santos. 755. Sala 4. Bairro Cumbica. Cidade de Guarulhos. Sao Paulo. Brasil	Publishing	75.00%		28	(9)	(20)
Editorial Nuevo México, S.A. de C.V.	Avenida Rio Mixcoac 274 Col Acacias. México DF. México	Publishing	75.00%		1,287	410	4,047
Editorial Santillana, S.A. (Guatemala)	26 Avenida 2-20 zona 14. Guatemala - Guatemala	Publishing	75.00%		72	7,117	271
Editorial Santillana, S.A. (Honduras)	Colonia los Profesionales Boulevard Suyapa, Metropolis Torre 20501, Tegucigalpa Honduras	Publishing	75.00%		20	4,935	1,913
Editorial Santillana, S.A. (Rep. Dominicana)	Juan Sánchez Ramírez, 9. Gaczué. Santo Domingo. República Dominicana	Publishing	75.00%		118	13,022	5,566
Editorial Santillana, S.A. (Venezuela)	Avenida Rómulo Gallegos. Edificio Zulia 1º. Caracas. Venezuela	Publishing	75.00%		3,127	2,641	1,956
Editorial Santillana, S.A. de C.V. (México)	Avenida Rio Mixcoac 274 Col Acacias. México DF. México	Publishing	75.00%		24,019	14,855	953
Editorial Santillana, S.A. de C.V. (El Salvador)	3a. Calle Poniente Y 87 Avenida Norte, No. 311, colonia Escalon San Salvador	Publishing	75.00%		18	3,113	2,111
Editorial Santillana, S.A.S (Colombia)	Edificio Punto 99, Carrera 11ª N°98-50 Oficina 501. Bogotá. Colombia	Publishing	75.00%		1,676	4,356	-
Educa Inventia, Inc. (Puerto Rico)	1506 Roosevelt Avenue. Guaynabo. Puerto Rico	Publishing	75.00%		783	(1,057)	(773)
Educa Inventia, S.A. de C.V. (México)	Avenida Rio Mixcoac 274 Col Acacias. México DF. México	Publishing	75.00%		4,882	1,679	(3,376)
Educaactiva Ediciones, S.A.S. (Colombia)	Avenida El Dorado No. 90 - 10 Bogotá. Colombia	Publishing	75.00%		113	(173)	(145)
Educaactiva, S.A. (Chile)	Avenida Andrés Bello 2299 Oficina 1001 Providencia. Santiago Chile	Publishing	75.00%		16,527	90	71
Educaactiva, S.A.C. (Peru)	Av. Manuel Olguin Nro. 215 Int. 501/ Los Granados/ Santiago de Surco/ Lima, Perú	Publishing	75.00%		2,589	1,651	(1,458)
Educaactiva, S.A.S. (Colombia)	Avenida El Dorado No. 90 - 10 Bogotá. Colombia	Publishing	75.00%		6,487	2,746	(1,048)
Grupo Pacifico, S.A. (Panamá)	Urbanización Industrial Orillac, Vía Transistmica. Calle Segunda, Local No. 9. Rep. de Panamá.	Publishing	75.00%		40	28	-
Kapelusz Editora, S.A. (Argentina)	Leandro N. Alem. 720. Buenos Aires. 1001. Argentina	Publishing	75.00%		597	(251)	(1,045)

(*) Grupo de consolidación fiscal Promotora de Informaciones, S.A.: 2/91

INDIRECT HOLDINGS

INVESTE	REGISTERED OFFICE	LINE OF BUSINESS	12-31-2016 (in thousands of euros)				
			% OF OWNERSHIP	TAX GROUP (*)	SHARE CAPITAL	SHAREHOLDERS' EQUITY	EBIT
Grup Promotor D'Ensenyament i Difusió en Català, S.L.	Frederic Mompou, 11. V. Olímpica, Barcelona	Publishing	75.00%	2/91	60	94	3
Grupo Santillana Educación Global, S.L.	Av. de los Artesanos, 6 Tres Cantos, Madrid	Publishing	75.00%	2/91	12,018	(28,153)	45,000
Inevery DPS, S.L.	Av. de los Artesanos, 6 Tres Cantos, Madrid	Editorial, cultural, educational, leisure and entertainment	75.00%	2/91	250	512	-
Instituto Universitario de Posgrado, S.A. (en liquidación)	Av. de los Artesanos, 6 Tres Cantos, Madrid	Publishing	46.07%		165	(774)	-
Itaca, S.L.	Av. de los Artesanos, 6 Tres Cantos, Madrid	Book distribution	75.00%	2/91	408	1,342	(100)
Lanza, S.A. de C.V.	Avenida Río Mixcoac 274 Col. Acacias, México DF, México	Creation, development and management of companies	75.00%		13,038	12,418	-
Pleno Internacional, SPA	Avenida Andres Bello N° 2299 Oficina 1001 Providencia - Santiago	Advice and consulting, development and sale of software	52.50%		1	(294)	(176)
Richmond Educação, Ltda.	Rua Padre Adelino, 758, Belem, Sao Paulo, Brasil	Publishing	75.00%		28	40	(25)
Richmond Publishing, S.A. de C.V.	Avenida Río Mixcoac 274 Col. Acacias, México DF, México	Publishing	75.00%		4	2,447	2,447
Salamandra Editorial, Ltda.	Rua Urbano Santos 755, Sala 2 - Sao Paulo, Brasil	Publishing	75.00%		28	(5)	(23)
Santillana Administración de Bienes, LTDA	Rua Padre Adelino, 758, Belem, Sao Paulo (Brasil)	Property management	75.00%		1,370	2,138	543
Santillana Canarias, S.L.	Urbanización El Mayorazgo, Parcela 14, 2-7B, Santa Cruz de Tenerife	Publishing	75.00%	2/91	60	62	-
Santillana de Ediciones, S.A. (Bolivia)	Calle 13, N° 8078, Zona de Calacoto, La Paz, Bolivia	Publishing	75.00%		343	3,139	2,495
Santillana del Pacífico, S.A. de Ediciones.	Avenida Andres Bello 2299 Oficina 1001-1002 Providencia, Santiago Chile	Publishing	75.00%		427	5,800	5,294
Santillana Editores, S.A.	R. Mario Caselhamo, 40 - Queluz de Baixo - 2734-502 Barcarena - Portugal	Publishing	75.00%		1,250	814	(253)
Santillana Educación, S.L.	Av. de los Artesanos, 6 Tres Cantos, Madrid	Publishing	75.00%	2/91	7,747	76,472	48,719
Santillana Formación, S.L.	Av. de los Artesanos, 6 Tres Cantos, Madrid	Complementary educational services	75.00%	2/91	300	(97)	(752)
Santillana Global, S.L.	Av. de los Artesanos, 6 Tres Cantos, Madrid	Publishing	75.00%	2/91	2,276	8,616	1,712
Santillana Infantil y Juvenil, S.L.	Av. de los Artesanos, 6 Tres Cantos, Madrid	Publishing	75.00%	2/91	65	2,985	1,011
Santillana Sistemas Educativos, Ltda. (Colombia)	Edificio Punto 99, Carrera 1ª N°98-50 Oficina 501, Bogotá, Colombia	Consultancy services for the obtainment of quality	75.00%		63	1,926	1,712
Santillana Sistemas Educativos, S.L.	Av. de los Artesanos, 6 Tres Cantos, Madrid	Publishing	75.00%	2/91	220	25,400	(11)
Santillana USA Publishing Co. Inc.	2023 NW 84th Avenue, Doral, Florida, EE.UU.	Publishing	75.00%		60,560	(1,270)	643
Santillana, S.A. (Costa Rica)	La Uruca, 200 m Oeste de Aviación Civil, San José, Costa Rica	Publishing	75.00%		465	(214)	411
Santillana, S.A. (Ecuador)	Calle De las Higueras 118 y Julio Arellano, Quito, Ecuador	Publishing	75.00%		978	4,723	4,088
Santillana, S.A. (Paraguay)	Avenida Venezuela, 276, Asunción, Paraguay	Publishing	75.00%		162	1,252	432
Santillana, S.A. (Perú)	Avenida Primavera 2160, Santiago de Surco, Lima, Perú	Publishing	75.00%		3,275	5,177	13,290
Sistemas Educativos de Enseñanza, S.A. de C.V.	Avenida Río Mixcoac 274 Col. Acacias, México DF, México	Publishing	75.00%		11,493	2,337	3,492
Uno Educação Ltda. (Antes Sistemas de Ensino Uno, Ltda.)	Rua Padre Adelino, 758, Belem, Sao Paulo, Brasil	Publishing	75.00%		30,277	12,431	3,883
Vanguardia Educativa Santillana Compartir, S.A. de C.V.	Avenida Río Mixcoac 274 Col. Acacias, México DF, México	Publishing	75.00%		3	548	1,568
Zubia Editoriala, S.L.	Poligono Lezama Leguizamón, Calle 31, Etxebarri, Vizcaya	Publishing	75.00%	2/91	60	94	6

(*) Grupo de consolidación fiscal Promotora de Informaciones, S.A.: 2/91

INVESTE	REGISTERED OFFICE	LINE OF BUSINESS	12-31-2016 (In thousands of euros)				
			% OF OWNERSHIP	TAX GROUP (*)	SHARE CAPITAL	SHAREHOLDERS' EQUITY	EBIT
PRISA RADIO							
RADIO ESPAÑA							
Antena 3 de Radio de León, S.A.	Gran Vía, 32. Madrid	Operation of radio broadcasting stations	79.64%		135	247	32
Compañía Aragonesa de Radiodifusión, S.A.	Paseo de la Constitución, 21. Zaragoza	Operation of radio broadcasting stations	77.62%		66	3,464	53
Ediciones LM, S.L.	Plaza de Cervantes, 6. Ciudad Real	Operation of radio broadcasting stations	40.01%		21.6	3,857	535
Cesión de Marcas Audiovisuales, S.A.	Gran Vía, 32. Madrid	Production and recording of sound media	80.00%	2/91	70	732	65
Iniciativas Radiofónicas de Castilla La Mancha, S.A.	Carreteros, 1. Toledo	Operation of radio broadcasting stations	56.01%		61	141	23
Iniciativas Radiofónicas, S.A.	Gran Vía, 32. Madrid	Operation of radio broadcasting stations	74.73%		228	451	16
Ondas Galicia, S.A.	San Pedro de Mezonzo, 3. Santiago de Compostela	Operation of radio broadcasting stations	37.00%		70	299	13
Prisa Radio, S.A.	Gran Vía, 32. Madrid	Operation of radio broadcasting stations	80.00%	2/91	2,036	135,861	(10,035)
Prisa Radio Perú, S.A.C.	Avda Primavera 2160	Publishing of periodicals and other periodicals	100.00%		4	4	-
Propulsora Montañesa, S. A.	Pasaje de Peña, Nº 2. Interior. 39008. Santander	Operation of radio broadcasting stations	79.90%		390	2,589	614
Radio Club Canarias, S.A.	Avenida Anaga, 35. Santa Cruz de Tenerife	Operation of radio broadcasting stations	76.00%		480	4,004	1,348
Radio España de Barcelona, S.A.	Caspe, 6. Barcelona	Operation of radio broadcasting stations	79.46%		364	712	49
Radio Lleida, S.L.	Calle Vila Antonia, Nº 5. Lleida	Operation of radio broadcasting stations	53.07%		300	474	(105)
Radio Murcia, S.A.	Radio Murcia, 4. Murcia	Operation of radio broadcasting stations	66.67%		120	1,505	429
Radio Zaragoza, S.A.	Paseo de la Constitución, 21. Zaragoza	Operation of radio broadcasting stations	70.42%		183	3,138	953
Sociedad de Estudios de Radio y Televisión, S.A.U. (SERTEL)	C/ Gran Vía, nº 32	Broadcasting services	100.00%		61	96	4
Sociedad Española de Radiodifusión, S.L.U.	Gran Vía, 32. Madrid	Operation of radio broadcasting stations	100.00%	2/91	6,959	150,107	(1,737)
Sociedad Independiente Comunicación Castilla La Mancha, S.A.	Avenida de la Estación, 5 Bajo. Albacete	Operation of radio broadcasting stations	59.33%		379	832	264
Societat de Comunicació i Publicitat, S.L.	Parc. de la Mola, 10 Torre Caldea, 6º Escalde. Engordany. Andorra	Operation of radio broadcasting stations	79.46%		30	(1,157)	(40)
Sogetable Música, S.L.	Gran Vía, 32. Madrid	Creation, broadcasting, distribution and exploitation of thematic TV channels	80.00%	2/91	1,202	1,459	15
Sonido e Imagen de Canarias, S.A.	Caldera de Bandama, 5. Arrecife. Lanzarote	Operation of radio broadcasting stations	40.00%		230	1,013	338
Teleradio Pres, S.L.	Avenida de la Estación, 5 Bajo. Albacete	Media management	60.08%		150	407	(2)
Teleser, S.A.	Gran Vía, 32. Madrid	Operation of radio broadcasting stations	63.29%		75	98	7
Radio Jaén, S.L.	Obispo Aguilar, 1. Jaén	Operation of radio broadcasting stations	28.79%		563	910	(35)
Unión Radio del Pirineu, S.A.	Carrer Prat del Creu, 32. Andorra	Operation of radio broadcasting stations	26.40%		249	329	3

(*) Grupo de consolidación fiscal Promotora de Informaciones, S.A.: 2/91

INDIRECT HOLDINGS

INVESTEE	REGISTERED OFFICE	LINE OF BUSINESS	12-31-2016 (in thousands of euros)				
			% OF OWNERSHIP	TAX GROUP (*)	SHARE CAPITAL	SHAREHOLDERS' EQUITY	EBIT
RADIO INTERNACIONAL							
Abril, S.A.	Eliodoro Yañex, N° 1783, Comuna Providencia Santiago, Chile	Commercial radio broadcasting services and operation of radio stations	80,00%		900	2,750	448
Aurora, S.A.	Eliodoro Yañex, N° 1783, Comuna Providencia Santiago, Chile	Commercial radio broadcasting services and operation of radio stations	80,00%		434	3,167	231
Blaya y Vega, S.A.	Eliodoro Yañex, N° 1783, Comuna Providencia Santiago, Chile	Commercial radio broadcasting services and operation of radio stations	80,00%		2,068	21,602	(50)
Caracol Broadcasting Inc.	2100 Coral Way - Miami 33145 - Florida, EE.UU.	Operation of radio broadcasting stations	79,99%		215	1,358	(337)
Caracol Estéreo, S.A.	Calle 67 N° 7-37 Piso 7 Bogotá, Colombia	Commercial radio broadcasting services	61,63%		3	2,188	1,488
Caracol, S.A.	Calle 67 N° 7-37 Piso 7 Bogotá, Colombia	Commercial radio broadcasting services	61,64%		11	40,009	11,912
Comercializadora Iberoamericana Radio Chile, S.A.	Eliodoro Yañex, N° 1783, Comuna Providencia Santiago, Chile	Production and sale of CD's, advertising promotions and events	79,99%		22,354	34,387	(151)
Compañía de Comunicaciones de Colombia C.C.C. Ltda.	Calle 67 N° 7-37 Piso 7 Bogotá, Colombia	Commercial radio broadcasting services	61,60%		25	2,513	230
Compañía de Radios, S.A.	Eliodoro Yañex, N° 1783, Comuna Providencia Santiago, Chile	Commercial radio broadcasting services	80,00%		313	2,405	(470)
Comunicaciones del Pacífico, S.A.	Eliodoro Yañex, N° 1783, Comuna Providencia Santiago, Chile	Operation and management of TV channels and radio stations	79,99%		481	3,701	1,128
Comunicaciones Santiago, S.A.	Eliodoro Yañex, N° 1783, Comuna Providencia Santiago, Chile	Operation and management of TV channels and radio stations	79,99%		478	2,964	1,315
Consortio Radial de Panamá, S.A.	Urbanización Obarrio, Calle 54 Edificio Caracol, Panamá	Advisory services and commercialisation of services and products	79,99%		8	324	54
Corporacion Argentina de Radiodifusion, S.A.	Beazley 3860, Buenos Aires, Argentina	Operation of radio broadcasting stations	79,91%		843	714	(187)
Ecos de la Montaña Cadena Radial Andino, S.A.	Calle 67, N° 7-37, Piso 7, Bogotá, Colombia	Commercial radio broadcasting services	61,44%		-	609	96
Emisora Mil Veinte, S.A.	Calle 67, N° 7-37, Piso 7, Bogotá, Colombia	Commercial radio broadcasting services	60,58%		-	299	27
Fast Net Comunicaciones, S.A.	Eliodoro Yañex, N° 1783, Comuna Providencia Santiago, Chile	Commercial radio broadcasting services	79,99%		2	(3,820)	39
GLR Colombia, Ltda.	Calle 67, N° 7-37, Piso 7, Bogotá, Colombia	Commercial radio broadcasting services	80,19%		263	194	(38)
GLR Chile, Ltda.	Eliodoro Yañex, N° 1783, Comuna Providencia Santiago, Chile	Operation of radio broadcasting stations	80,00%		39,261	88,668	6,260
GLR Services Inc.	Baypoint Office Tower, 4770 Biscayne Blvd., Suite 700 Miami, FL 33500 Olive Avenue Suite 250 Burbank, CA 91505, EE.UU.	Provision of services to radio broadcasting companies	79,99%		4	2,239	1,307
Iberoamerican Radio Holding Chile, S.A.	Eliodoro Yañex, N° 1783, Comuna Providencia Santiago, Chile	Provision of services to radio broadcasting companies	79,99%		22,855	(6,015)	(654)
Iberoamericana Radio Chile, S.A.	Eliodoro Yañex, N° 1783, Comuna Providencia Santiago, Chile	Commercial radio broadcasting services and operation of radio stations	80,00%		3,814	(5,532)	(1,072)
La Voz de Colombia, S.A.	Calle 67, N° 7-37, Piso 7, Bogotá, Colombia	Commercial radio broadcasting services	60,52%		28,708	57,972	6,331
LS4 Radio Continental, S.A.	Rivadavia 835, Ciudad Autónoma de Buenos Aires, Argentina	Radio broadcasting and advertising services	79,97%		1	584	30
Promotora de Publicidad Radial, S.A.	Calle 67, N° 7-37, Piso 7, Bogotá, Colombia	Commercial radio broadcasting services	61,63%		5,413	(585)	(1,823)
Publicitaria y Difusora del Norte Ltda.	Eliodoro Yañex, N° 1783, Comuna Providencia Santiago, Chile	Commercial radio broadcasting services	79,99%		1	976	177
Radio Estéreo, S.A.	Rivadavia 835, Ciudad Autónoma de Buenos Aires, Argentina	Operation of radio broadcasting stations	79,97%		966	4,815	(403)
Radiodifusion Iberoamericana Chile S.A.	Eliodoro Yañex, N° 1783, Comuna Providencia Santiago, Chile	Radio broadcasting and advertising services	80,00%		391	119	(299)
		Holding	80,00%		12,600	31,259	(3)

INDIRECT HOLDINGS

INVESTE	REGISTERED OFFICE	LINE OF BUSINESS	12-31-2016 (In thousands of euros)				
			% OF OWNERSHIP	TAX GROUP (*)	SHARE CAPITAL	SHAREHOLDERS' EQUITY	EBIT
Radio Mercadeo, Ltda.	Calle 67, N° 7-37, Piso 7, Bogotá, Colombia	Commercial radio broadcasting services	57.761%		298	385	(4)
Sociedad de Radiodifusión El Litoral, S.L.	Eliodoro Yañez, N° 1783, Comuna Providencia Santiago, Chile	Rental of equipment and advertising sales	80.001%		7	3,971	(41)
Sociedad Radiodifusora del Norte, Ltda.	Eliodoro Yañez, N° 1783, Comuna Providencia Santiago, Chile	Operation of radio broadcasting stations	79.990%		277	955	(20)
W3 Comm Inmobiliaria, S.A. de C.V.	Carretera Libre Jijaua, Enseñada 3100, Rancho Almarina Blvd Popotla y Camino al FRACC Misión del Mar, Playas de Rosarito, Baja California, EE.UU.	Real estate development services	80.001%		2,348	1,845	7
Cadena Radiodifusora Mexicana, S.A. de C.V.	Calzada de Tlalpan 3000 col Espartaco México D.F. 04870, México	Operation of radio broadcasting stations	40.00%		1,144	9,090	10,607
Cadena Radiópolis, S.A. de C.V.	Calzada de Tlalpan número 3000, Colonia Espartaco, Delegación Coyoacán, Código Postal 04870, Ciudad de México.	Provision of all types of public telecommunications and broadcasting services	40.00%		5	(5)	-
El Dorado Broadcasting Corporation	2100 Coral Way, Miami, Florida, EE.UU.	Development of the Latin radio market in the US	20.00%		196	(1,633)	-
GLR Costa Rica, S.A.	Llorente de Tibás, Edificio La Nación, San José, Costa Rica	Operation of radio broadcasting stations	40.00%		1,020	1,163	17
Green Emerald Business Inc.	Calle 54, Obarrio N° 4, Ciudad de Panamá, Panamá	Development of the Latin radio market in Panama	27.96%		3,986	(6,001)	(707)
Multimedios GLP Chile SPA	Av. Andrés Bello 2325 Piso 9, Providencia	Commercial radio broadcasting services	19.26%		1,044	(43)	(558)
Promotora Radial del Llano, LTDA	Calle 67 N° 7-37 Piso 7 Bogotá, Colombia	Commercial radio broadcasting services	19.260%		1	67	15
QHubo Radio, S.A.S	CL 57 No 17 - 48 Bogotá, Colombia	Operation of radio broadcasting stations	40.00%		120	(235)	(284)
Radio Comerciales, S.A. de C.V.	Rubén Darío n° 158, Guadaluajara, México	Operation of radio broadcasting stations	40.00%		639	397	423
Radio Melodía, S.A. de C.V.	Rubén Darío n° 158, Guadaluajara, México	Operation of radio broadcasting stations	40.00%		23	205	691
Radio Tapatá, S.A. de C.V.	Rubén Darío n° 158, Guadaluajara, México	Operation of radio broadcasting stations	39.59%		78	299	(23)
Radiotelevisora de Mexicali, S.A. de C.V.	Avenida Reforma 1270, Mexicali Baja California, México	Operation of radio broadcasting stations	40.00%		1,760	2,099	-
Servicios Radiópolis, S.A. de C.V.	Calzada de Tlalpan 3000 col Espartaco México D.F. 04870, México	Operation of radio broadcasting stations	40.00%		830	84	2
Servicios Xezz, S.A. de C.V.	Calzada de Tlalpan 3000 col Espartaco México D.F. 04870, México	Operation of radio broadcasting stations	39.592%		2	(4)	(23)
Sistema Radiópolis, S.A. de C.V.	Avenida Vasco de Quiroga 2000, México D.F. México	Operation of radio broadcasting stations	40.00%		9,395	29,671	14,761
W3 Comm Concessionaria, S.A. de C.V.	Carretera Libre Jijaua, Enseñada 3100, Rancho Almarina Blvd Popotla y Camino al FRACC Misión del Mar, Playas de Rosarito, Baja California, EE.UU.	Advisory services on business administration and organisation	79.59%		6	(403)	164
WSUA Broadcasting Corporation	2100 Coral Way, Miami, Florida, EE.UU.	Radio broadcasting	20.00%		587	(5,027)	135
Xezz, S.A. de C.V.	Rubén Darío n° 158, Guadaluajara, México	Operation of radio broadcasting stations	39.59%		39	213	153
MÚSICA							
Gran Via Musical de Ediciones, S.L.	Gran Via, 32, Madrid	Prestación de servicios musicales	100.00%	2/91	3,000	1,650	(1,218)
Merchandising on Stages S.L.	Ulises, 49, 28043, Madrid	Production and/or import of textile articles, jewellery, graphic materials, phonographic recordings, etc.	80.00%	2/91	3	101	(89)
Planet Events, S.A.	Gran Via, 32, Madrid	Production and organisation of shows and events	56.00%	2/91	120	101	(836)
Prisa Música, S.A.	Gran Via, 32, Madrid	Production and organisation of shows and events	75.51%	2/91	712	617	(222)
Prisa Música América, S.A.S.	CALLE 98 N° 18 - 71 OFICINA 401	Production and organisation of shows and events	75.51%		537	34	(99)

(*) Grupo de consolidación fiscal Promotora de Informaciones, S.A.: 2/91

INDIRECT HOLDINGS

APPENDIX II

INVESTEE	REGISTERED OFFICE	LINE OF BUSINESS	12-31-2016 (In thousands of euros)				EBIT
			% OF OWNERSHIP	TAX GROUP (*)	SHARE CAPITAL	SHAREHOLDERS' EQUITY	
PRENSA Agrupación de Servicios de Internet y Prensa, S.L.	Valentín Beato, 44. Madrid	Administrative, technological and legal services and the distribution of written and digital media	100.00%	2/91	1,726	1,180	(723)
As ChileSPA	Eliodoro Yáñez 1783, Providencia, Santiago, Chile	Publication and operation of As newspaper in Chile	75.00%		908	395	(203)
Diario AS Colombia, SAS	CI 98, nr 1871 Of401, Bogotá D.C.	Publication and operation of As newspaper in Colombia	75.00%		557	107	(203)
Diario As USA, Inc	2100 Coral Way Suite 603, 33145 Miami, Florida	Publication and operation of As newspaper in USA	75.00%		1	271	476
Noticias AS México S.A. de C.V.	México DF	Publication and operation of As newspaper in Mexico	75.00%		658	162	(344)
Diario As S.L.	Valentín Beato, 44. Madrid	Publication and operation of As newspaper	75.00%	2/91	1,400	47,256	4,238
Diario El País Argentina, S.A.	Leandro N. Alem, 720, Buenos Aires, 1001, Argentina	Operation of El País newspaper in Argentina	100.00%		1,164	100	(602)
Diario El País Do Brasil Distribuidora de Publicações, LTDA.	Rua Padre Adelino, 758 Belezinho, CEP 03303-904, Sao Paulo, Brasil	Operation of El País newspaper in Brazil	100.00%		5,871	541	(1,344)
Prisa Noticias de Colombia, SAS. (Anteriormente Diario El País de Colombia SAS)	Calle 98 No 18-71 oficinas 401-402 del edificio Varese Bogotá	Operation of El País newspaper in Colombia	100.00%	1	1	1	-
Diario El País, S.L.	Miguel Yuste, 40, Madrid	Holding	100.00%	2/91	4,200	5,818	3,570
Ediciones El País (Chile) Limitada.	Eliodoro Yáñez 1783, Providencia, Santiago, Chile	Publication, operation and sale of El País newspaper in Chile	100.00%		2,971	9	(308)
Ediciones El País, S.L.	Miguel Yuste, 40, Madrid	Publication, operation and sale of El País newspaper	99.99%	2/91	3,306	11,470	8,235
Espacio Digital Editorial, S.L.	Gran Vía, 32, Madrid	Edition and exploitation of Huffington Post digital for Spain	100.00%	2/91	8,501	18,916	719
Estructura, Grupo de Estudios Económicos, S.A.	Miguel Yuste 42, Madrid	Publication and operation of Cinco Dias newspaper	100.00%	2/91	60	20	(108)
Grupo de Medios Impresos y Digitales, S.L.	Gran Vía, 32, Madrid	Documentation services	100.00%	2/91	990	79,131	6,235
Merisatión Magazine, S.L.	Almogaveros 12, Llagostera, Girona	Documentation services	100.00%	2/91	6	49	14
Pressprint, S.L.U.	Valentín Beato, 44, Madrid	Production, printing, publication and distribution of products format	100.00%	2/91	28,000	23,769	(4,301)
Prisa Eventos, S.L.	Miguel Yuste, 40 Madrid	Operation of press media	100.00%	2/91	3	10	12
Betmedia Soluciones, S.L.	Rua de Carrucha, 8, Santa Cruz, 15179 A Coruña	Development, management and operation of websites, platforms and software to perform activities related to the game	25.00%	2/91	6	616	497
Kioskoymás, Sociedad Gestora de la Plataforma Tecnológica, S.L.	Juan Ignacio Luca de Tena, 7, Madrid	Publication and operation of newspapers, magazines in digital format	50.00%		53	(558)	(51)
Le Monde Libre Societé Commandité Simple	17, Place de la Madeleine, Paris	Holding	20.00%		38	(13,407)	(232)

(*) Grupo de consolidación fiscal Promotora de Informaciones, S.A., 2/91

INDIRECT HOLDINGS

INVESTEE	REGISTERED OFFICE	LINE OF BUSINESS	12-31-2016 (In thousands of euros)					
			% OF OWNERSHIP	TAX GROUP (*)	SHARE CAPITAL	SHAREHOLDERS' EQUITY	EBIT	
MEDIA CAPITAL								
Argumentos para Audiovisual, Lda, (CASA DA CRIAÇÃO)	Rua Mário Castelhamo, n.º 40, Queluz de Baixo 2734 506 Barcarena, Portugal	Creation, development, translation and adaptation of texts and ideas for television programmes, films, entertainment, advertising and theatre	94,69%		20	11	(59)	
COCO-Companhia de Comunicação, Unipessoal, Lda.	Rua Sampaio e Pina, n.ºs 24-26 1099 044 Lisboa, Portugal	Radio broadcasting	94,64%		50	72	76	
DRUMS - Comunicações Sonoras, Unipessoal LDA	Rua Sampaio e Pina, n.ºs 24-26 1070 249 Lisboa, Portugal	Activity of radio broadcasting in the fields of production and broadcasting of programs	94,64%		5	24	8	
Emissões de Rádiofusão, S.A. (RADIO REGIONAL DE LISBOA)	Rua Sampaio e Pina, 24/26-1099-044, Lisboa, Portugal	Radio broadcasting	94,69%		110	(658)	(371)	
Empresa de Meios Audiovisuais, Lda. (EMAV)	Rua Mário Castelhamo, n.º 40, Queluz de Baixo 2734 502 Barcarena, Portugal	Purchase, sale and rental of audiovisual media (cameras, videos, special filming and lighting equipment, cranes, masts, etc.)	94,69%		50	737	899	
Empresa Portuguesa de Cenários, Lda. (EPC)	Rua Mário Castelhamo, n.º 40, Queluz de Baixo 2734 502 Barcarena, Portugal	Design, construction and installation of decorating accessories	94,69%		50	(74)	131	
Grupo Media Capital, SGPS, S. A.	Rua Mário Castelhamo n.º 40, Queluz de Baixo, Portugal	Production and realization of radio programs and shows, advertising, promotions and representations	94,69%		89,584	85,098	(187)	
Leitrimedia, Produções e Publicidade, LDA	Rua Sampaio e Pina, n.º 24-26 1070 249 Lisboa, Portugal	Production and realization of radio programs and shows, advertising, promotions and representations	94,69%		120	6	6	
Media Capital Digital, S.A	Rua Mário Castelhamo, N.º 40, 2734-502, Barcarena, Portugal	Publication, multimedia production, distribution, consultancy, sales (mail order, telephone and other) of goods and services as well as the acquisition, supply, preparation and dissemination of journalism by any means	94,69%		55	(2,417)	(13)	
Media Capital Música e Entretenimento, S.A (MCMME)	Rua Mário Castelhamo, N.º 40, 2734-502, Barcarena, Portugal	Publication, graphic arts and the reproduction of recorded media: magazines, audio publication, video reproduction and the provision of services related to music, the radio, television, film, theatre and literary magazines	94,69%		3,050	(664)	(4)	
Media Capital Produções, S.A. (MCP)	Rua Mário Castelhamo, N.º 40, 2734-502, Barcarena, Portugal	Design, development, production, promotion, sale, acquisition, exploitation rights, recording, distribution and dissemination of audiovisual media	94,69%		45,050	12,468	(19)	
Media Capital Rádios, S.A. (MCR II)	Rua Mário Castelhamo, N.º 40, 2734-502, Barcarena, Portugal	Provision of services in the areas of accounting and financial consultancy; performance of radio broadcasting activities in the areas of the production and transmission of radio programmes	94,69%		192	(10,120)	(5)	
Media Global, SGPS, S.A. (MEGLO)	Rua Mário Castelhamo, N.º 40, 2734-502, Barcarena, Portugal	Holdings	94,69%		37,098	78,469	(377)	
Moliceiro, Comunicacao Social, S.A.	Rua Sampaio e Pina, 24/26-1070 249 Lisboa, Portugal	Broadcasting activity	94,69%		5	15	6	
CLMC-Multimedia, Unipessoal, Ltda.	Rua Mário Castelhamo, 40, Queluz de Baixo 2734 502 Barcarena, Portugal	Distribution of film activities, video, radio, television, audiovisual and multimedia	94,69%		5	166	7	
NOTIMÁIA-Publicações e Comunicações, S.A.	Rua Sampaio e Pina, n.ºs 24/26 1099 044 Lisboa, Portugal	Radio broadcasting	94,69%		5	32	25	
Penalva do Castelo FM Rádiofusão e Publicidade, Lda.	Rua Sampaio e Pina, n.ºs 24-26 1070 249 Lisboa, Portugal	Broadcasting in production areas and programs transmission	94,69%		5	(81)	35	
Plural Entertainment España, S.L.	Gran Via, 32, Madrid	Production and distribution of audiovisual content	94,69%	2/91	6,000	18,251	(80)	
Plural Entertainment Inc.	1680 Michigan Avenue, Suite 730, Miami Beach, EE.UU.	Production and distribution of audiovisual content	94,69%		109	(3,721)	(33)	
Plural Entertainment Portugal, S.A.	Rua Mário Castelhamo, n.º 40, Queluz de Baixo 2730 120 Barcarena, Portugal	Production of video and film, organisation of shows, rental of sound and lighting, advertising, sales and representation of registered videos	94,69%		36,650	37,560	(2,092)	
Polimedia - Publicidade e Publicações, Lda.	Rua Sampaio e Pina, n.º 24-26 1070 249 Lisboa, Portugal	Broadcasting in production areas and programs transmission	94,69%		5	(76)	13	
PRC Produções Radiofónicas de Coimbra,Lda.	Rua Sampaio e Pina, n.ºs 24-26 1070 249 Lisboa, Portugal	Cinema production, video and television programs	94,69%		7	(39)	24	
Produção de Eventos, Lda. (MEDIA CAPITAL ENTERTAINMENT)	Rua Mário Castelhamo, N.º 40, 2734-502, Barcarena, Portugal	Publication, graphic art and reproduction of recorded media: magazines, audio publication, video reproduction; and provision of services related to music, radio, television, film, theatre and literary magazines	94,69%		5	(672)	(96)	

(*) Grupo de consolidação fiscal Promotora de Informaciones, S.A.: 2/91

INVESTE	REGISTERED OFFICE	LINE OF BUSINESS	12-31-2016 (In thousands of euros)				EBIT
			% OF OWNERSHIP	TAX GROUP (*)	SHARE CAPITAL	SHAREHOLDERS' EQUITY	
Producciones Audiovisuales, S.A. (NRP IBERICA) Produções Audiovisuais, S.A. (RADIO CIDADE)	Almagro 13, 1º Izquierda, 28010, Madrid Rua Sampaio e Pina, 24/26, 1099-044, Lisboa, Portugal	Inactive Radio broadcasting, production of audio or video advertising spots, Advertising, production and recording of discs, Development and production of radio programmes	94,69% 94,69%		60 50	13 197	- 203
R 2000 - Comunicação Social, Lda. Radio Comercial, S.A. (COMERCIAL) Rádio do Concelho de Cantanhede, Lda. Rádio Litoral Centro, Empresa de Radiodifusão, Lda.	Rua Sampaio e Pina, 24/26, 1070-249, Lisboa, Portugal Rua Sampaio e Pina, 24/26, 1070-249, Lisboa, Portugal Rua Sampaio e Pina, n.ºs 24-26 1099/044 Lisboa, Portugal Rua Sampaio e Pina, 24-2,1099 044 Lisboa, Portugal	Radio broadcasting in the areas of programme production and transmission Radio broadcasting in the areas of programme production and transmission Radio broadcasting in the areas of programme production and transmission Radio broadcasting in the areas of programme production and transmission	94,69% 94,69% 94,69% 94,69%		5 500 5 5	18 4700 63 47	14 3.799 25 13
Rádio Manteigas Radiodifusão, Lda. Rádio Nacional - Emissões de Radiodifusão, Unipessoal Lda. Rádio Sabugal - Radiodifusão e Publicidade, Lda. Rádio Voz de Alcanena, Lda. (RVA)	Rua Sampaio e Pina, n.ºs 24/26 1070/044 Lisboa, Portugal Rua Sampaio e Pina, n.ºs 24-26 1099/044 Lisboa, Portugal Rua Sampaio e Pina, n.ºs 24/26 1070/044 Lisboa, Portugal Rua Sampaio e Pina, n.ºs 24-26 1099/044 Lisboa, Portugal	Radio broadcasting in the areas of programme production and transmission Radio broadcasting in the areas of programme production and transmission Radio broadcasting in the areas of programme production and transmission Radio broadcasting in the areas of programme production and transmission	94,69% 94,69% 94,69% 94,69%		5 5 5 5	(42) 32 (13) 48	10 14 14 17
Rádio XXI, Lda. (XXI)	Rua Sampaio e Pina, 24/26, 1099-044, Lisboa, Portugal	Advisory services, guidance services and operational assistance to public relations companies and organisations	94,69%		5	(1,051)	(988)
Radiodifusko, Lda. (FLOR DO ÉTER)	Rua Sampaio e Pina, n.ºs 24-26 1099/044 Lisboa, Portugal	Radio broadcasting in the areas of programme production and transmission	94,69%		5	34	8
R.C. - Empresa de Radiodifusão, Unipessoal, Lda. Serviços de Consultoria e Gestão, S.A. (MÉDIA CAPITAL SERVIÇOS) Serviços de Internet, S.A. (IOL, NEGÓCIOS)	Rua Sampaio e Pina, n.ºs 24-26 1099 044 Lisboa, Portugal Rua Mário Castelhanho, N.º 40, 2734-502, Barcarena, Portugal Rua Mário Castelhanho, 40, Queluz de Baixo 2734-502 Barcarena, Portugal	Radio broadcasting in the areas of programme production and transmission Services, publication and sale of electronic goods and services Production of multimedia, audiovisual and phonogram storage media	94,69% 94,69% 94,69%		5 100 100	22 249 266	43 149 270
SIRPA, Sociedade de Imprensa Radio Paralelo, Lda. Sociedade de Produção e Edição Audiovisual, Lda (FAROL MÚSICA) Televisao Independente, S.A. (TVI)	Rua Sampaio e Pina, 24/26, 1099-044, Lisboa, Portugal Rua Mário Castelhanho, N.º 40, 2734-502, Barcarena, Portugal Rua Mário Castelhanho, N.º 40, 2734-502, Barcarena, Portugal	Broadcasting in production areas and programs transmission Production of multimedia, audiovisual and phonogram storage media Performance of any TV-related activity such as the installation, management and operation of any TV channel or infrastructure	94,69% 94,69% 94,69%		5 5 15,926	282 (2,094) 55,222	7 25 30,882
Tesela Produções Cinematográficas, S.L. Plural Entertainment Canarias, S.L.	Gran Via, 32, Madrid Dársena Pesquera, Edifício Platô del Atlántico, San Andrés 38180, Santa Cruz de Tenerife	Production and distribution of audiovisual content Production and distribution of audiovisual content	94,69% 94,69%		1,034 75	5,645 23	(9) -
Chip Audiovisual, S.A. Fábrica Plural, S.L. Productora Canaria de Programas, S.A. Sociedad Canaria de Televisión Regional, S.A.	Cso, 100, Planta 3ª, puerta 4-50001, Zaragoza Calle Biarritz, 2, 50017 Zaragoza Enrique Wolfson, 17, Santa Cruz de Tenerife Avenida de Madrid s/n, Santa Cruz de Tenerife	Audiovisual productions for TV Production and distribution of audiovisual content Development of a promotional TV channel for the Canary Islands Audiovisual productions for TV	7,10% 14,20% 37,88% 37,88%		600 175 601 910	1,602 2,050 1,410 1,250	395 261 2 (44)

(*) Grupo de consolidação fiscal Promotora de Informaciones, S.A.: 2/91

INDIRECT HOLDINGS

APPENDIX II

INVESTE	REGISTERED OFFICE	LINE OF BUSINESS	12-31-2016 (In thousands of euros)			
			% OF OWNERSHIP	TAX GROUP (*)	SHARE CAPITAL	SHAREHOLDERS' EQUITY
LOCAL TELEVISIONS						
Collserola Audiovisual, S.L. (En liquidación)	Plaza Narcís Oller, N.º 6 1.º, 1.º, 08006, Barcelona	Provision of local television services	92.50%	2/91	85	(12,966)
Málaga Allavision, S.A. (En liquidación)	Paseo de Reding, 7, Málaga	Production and broadcasting of videos and TV programmes	87.24%	2/91	3,465	(2,142)
Productora Audiovisual de Badajoz, S.A.	Ramón Albarán, 2, Badajoz	Provision of local television services	61.45%		498	(1,667)
Productora Extremeña de Televisión, S.A.	J. M. R. "Azorín", Edificio Zeus, Polígono La Corchera, Mérida, Badajoz	Provision of local television services	70.00%		1,202	768

(*) Grupo de consolidación fiscal Promotora de Informaciones, S.A.: 2/91

INDIRECT HOLDINGS

APPENDIX II

INVESTEES	REGISTERED OFFICE	LINE OF BUSINESS	12-31-2016 (In thousands of euros)				
			% OF OWNERSHIP	TAX GROUP (*)	SHARE CAPITAL	SHAREHOLDERS' EQUITY	EBIT
DIGITAL Infotecnia 11824, S.L. Prisa Tecnología, S.L.	Ronda de Poniente 7, Tres Cantos, Madrid Gran Vía, 32, Madrid	Provision of telecommunications services Provision of internet services	60.00% 100.00%	2/91	40 1,260	119 (11,107)	94 (5,050)
IMPRESIÓN Bidasoa Press, S.L. Dédalo Grupo Gráfico, S.L. Distribuciones Aliadas, S.A. Norpresa, S.A. Prisaprint, S.L.	Calle Maillía Nº 134, 46026, Valencia Carretera de Pinto a Fuenlabrada, Km. 20,8, Madrid Polígono Industrial La Isla, Parcela 53, 41700 Dos Hermanas, Sevilla Parque Empresarial IN-F, Calle Costureiras, s/n 27003, Lugo Gran Vía, 32, Madrid	Printing Publishing Products Printing Publishing Products Printing Publishing Products Printing Publishing Products Management of printing companies	100.00% 100.00% 100.00% 100.00% 100.00%	2/91 2/91 2/91 2/91 2/91	2,047 3 2,100 270 3,000	3,836 1,208 9,047 148 (5,735)	523 307 134 (3) 267
PRISA BRAND SOLUTIONS Prisa Digital Inc. Solomédios, S.A.	2100 Coral Way, Suite 200, Miami, Florida, 33145, EE.UU. C/ Valentin Beato, 48, Madrid	Provision of internet services Advertising management	100.00% 100.00%	2/91	6,892 180	314 190	55 (1)
OTHERS Grupo Latino de Publicidad Colombia, SAS Prisa Inc. Prisa Producciones de Vídeo, S.L. Promotora de Actividades América 2010 - México, S.A. de C.V.	Carrera 9, 9907 Oficina 1200, Bogotá, Colombia 2100 Coral Way Suite 200 Miami 33145 U.S.A. Gran Vía, 32, Madrid Avenida Paseo de la Reforma 300, Piso 9, Col. Juárez, 06600, México, D.F., México	Operation and advertising marketing Business Management in USA And North America Production, distribution and audiovisual marketing Development, coordination and management of projects related to the commemoration of the Bicentennial of the Independence of the American nations	100.00% 100.00% 100.00% 100.00%	2/91	215 1,287 3 3	1,699 (436) (1,780) (665)	1,176 (16) (2,365)

(*) Grupo de consolidación fiscal Promotora de Informaciones, S.A.: 2/91

PROMOTORA DE INFORMACIONES, S.A. (PRISA)

Individual Directors' Report for 2016

PROMOTORA DE INFORMACIONES, S.A. (PRISA)

DIRECTOR'S REPORT FOR 2016

1. POSITION OF THE COMPANY

Organizational structure

Promotora de Informaciones, S.A. (Prisa) is the head of the Prisa Group. Its function within the Group is to provide central corporate services, to act as the Group's financing centre and to engage in other activities related to the Group's strategy, development and performance.

Prisa is the world's leading Spanish and Portuguese-language business group in the fields of education, information and entertainment. Present in 22 countries, it reaches more than 60 million users through its global brands El País, As, 40 Principales, W Radio or Santillana. As leader in General-interest Press, Comercial TV, Music and Spoken-word radio and Education, it is one of the largest media groups in the world with an extraordinary range of assets. It's presence in Brazil and Portugal and among the growing Hispanic community in the US has given the group an Ibero-American dimension and has opened up a potential global market of 700 million people.

With over 250 web sites, regularly visited by 24.9 million unique monthly users (source: comScore Jan-Dec'16) and 122.5 million of unique browsers (Source: Adobe Omniture +Netscape, Jan-Dec'16) in all of the world, Prisa is at the forefront of multi-channel and multi-device distribution and, with the launch of an ambitious strategy for content distribution, offering myriad differentiated products and services through all types of devices.

The Group is divided into four business areas: **Santillana, Noticias, Radio and Audiovisual**, all of which are undergoing a process of digital transformation.

Santillana is the leading educational company in Spain and Latin America, present in 22 countries. It has championed education and learning for more than 50 years. It has an international presence in the entire Spanish and Portuguese speaking world, both in Portugal and Brazil and the United States, and also produces teaching materials (textbooks, digital resources, support material, etc.) in all of Spain's official languages from early-years teaching to the Baccalaureate and Vocational Training.

At a time of rapid digital and pedagogical change, it sets a premium on high-quality innovative teaching materials and strives to offer schools, teachers and pupils alike a comprehensive service offering a complete package comprising technology, training and assessment materials.

Santillana specialises in creating high-quality multi-format teaching materials for all levels of education for pupils aged from 3 to 18, published in Spanish, Portuguese and English and adapted to the educational standards and approaches of each country. It also offers an advisory service to help schools meet their many and varied individual teaching needs, with comprehensive, modular solutions covering a range of topics from teacher training to

innovative assessment platforms. Its main educational projects are Santillana Compartir, Sistema UNO, Saber Hacer, Aula Virtual, Loqueleo, WebBooks and Bejob.

Prisa Noticias is the Prisa business unit that encompasses all the news brands in its segment. It has a clearly global outlook. It includes leading newspapers such as El País, Cinco Días, AS and The Huffington Post in addition to trade magazines such as Icon and S Moda. These publications have an online readership of 19.6 million users from throughout the world (Source: comScore, Jan-Dec 16).

El País was founded in 1976. From the very beginning, El País has been committed to Spanish society, to defending and expanding democratic liberties for all. Aware of and committed to this reality, this maxim remains valid in the Company more than four decades later and now extends to all of Latin America.

El País is the leading newspaper in Spain and also the most widely read Spanish-language daily newspaper, according to ComScore. This leading position is built upon a tradition of launching new products, permanent innovation and a presence throughout Latin America. At present, 47.8% of the readers of this newspaper are from the Americas and 45.9% from Spain. Diario As is a leading daily sports newspaper with 6.2 million individual readers throughout the world including its online publication (Source: comScore, Jan-Dec 16). In 2013, it started to expand internationally with AS América, an edition for Latin America, and three further country-specific editions for Chile (2014), Colombia (2015) and Mexico (2015). Currently 52.2% of the daily's users are international.

PRISA Radio is the world's largest Spanish-language radio broadcasting group with nearly 23 million listeners and 6 million unique users online (comScore Jan-Dec'16) and more than 1,250 radio stations, either directly owned or associates, spread out over twelve countries. Prisa Radio is well positioned in the main Spanish-speaking radio markets and is the absolute leader in Spain, Colombia and Chile.

The company's business is structured in two main areas: Radio and Music, with a management model designed to revitalize radio formats, introduce technological innovation and ensure its content is available on all digital platforms. It combines a global presence with a local approach which allows it to optimize exchanges between the different countries and boost the value generation of the Group.

It uses the power of digital technology and its reference brands to develop a whole series of activities and events, including concerts, festivals, music prizes, debates and conferences, which add value and strengthen its connection with its audience.

In a fast-changing digital environment, new platforms, interaction and mobility are all opportunities exploited by radio to drive its social function and reach new audiences.

The **Audiovisual sector** encompasses the audiovisual activity of the Prisa Group. It is particularly active in the Spanish and Portuguese markets through its products for digital entertainment and commercial television.

Media Capital, the commercial TV in Portugal, is the leading media group in Portugal. In the television industry, it has the TV channel (TVI) which attracts the largest number of viewers, one of the most prestigious and widely listened to radios at national level (MCR)

and the second largest Internet portal (IOL). It produces content in a wide range of genres, specialising in fiction, news, entertainment and sports.

In addition to generalist TVI, Media Capital's activity is spread across its thematic channels TVI24, TVI Internacional, TVI Ficção, +TVI, TVI Direct, TVI África and TVI Reality, the latter two launched in 2015. Media Capital has used these channels to strengthen its presence in Europe and Africa. The best content from TVI Internacional is currently present in 15 countries through 30 distribution platforms: Angola, Mozambique, Spain, France, Andorra, Switzerland, Monaco, Luxembourg, United Kingdom, United States, Puerto Rico, Cape Verde, Venezuela, Australia and New Zealand.

Media Capital is also present in other businesses related to the media industry, such as television content production, provided by the multinational company, Plural Entertainment. Plural Entertainment is one of the most important companies in the Iberian Peninsula in this industry and is particularly active in the area of Portuguese-language fiction.

Since 2015, **Prisa Vídeo** develops and boosts the production, distribution and marketing of video within the group, in entertainment, current affairs, news, fiction and education.

Prisa Vídeo is a prestige audiovisual production label including new digital video narratives and traditional production for third parties. One of the main objectives of this production company is to develop contents along with advertisers and thereby boost business transformation and the growth of native advertising.

Governance bodies

Except for matters reserved to the General Meeting, the Board of Directors of Prisa is the highest decision-making body within the Company.

The Board policy is to focus its activity on the general functions of supervision and determination of policies and strategies of the Company, and to delegate ordinary management of the Company to the Managing Director and, if applicable the Executive Chairman, with the assistance of the Company's management team.

In accordance with the Board of Directors Regulations of the Company and the provisions of the Capital Companies Act, the Board has exclusive authority regarding certain general strategies and policies of the Company, as well as regarding certain decisions (inter alia, the strategic or business plan, management objectives and the annual budget, financing and investment policy, tax strategy, risk management and control, approval of financial information, approval of financial projections, dividend policy, treasury share policy, strategic alliances of the Company or its controlled companies, definition of the Group's structure, corporate governance and corporate social responsibility policies, general compensation policy, appointment and removal of certain executives, investments or transactions of any kind that by reason of their high amount or special characteristics are of a strategic nature or involve special tax risk to the Company, approval of creation or acquisition of interests in special-purpose vehicles or entities domiciled in countries or territories considered to be tax havens, resolutions related to mergers, splitups and any relevant decision having to do with the status of the Company as a listed company, approval of related party transactions, annual evaluation of the functioning of the Board of Directors.....)

The Board of Directors of Prisa currently is comprised of seventeen directors: three executive directors, four proprietary directors, nine independent directors and another external director. They have various academic backgrounds and outstanding professional careers.

Also, the Board currently has the following positions: Executive Chairman, Vice Chairman, Managing Director, Coordinating Director, Secretary and Deputy Secretary.

Without prejudice to the authority of the Chairman and the Managing Director, and within the framework of the regulatory provisions regarding authority reserved to the Board itself, it has a Delegated Committee.

In addition the Prisa Board of Directors has formed another four Committees, with reserved authority in their respective areas: (i) Audit, (ii) Corporate Governance, (iii) Nominating and Compensation and (iv) Technology Transformation.

Performance

Operating targets and strategy

In general, the **Group** has gone to great lengths in recent years to clamp down on operating costs. Efforts will remain geared towards controlling costs and capex, channeling available resources to growth areas and towards the new initiatives planned for 2017, in addition to continuing with financial optimization and debt reduction plans.

Financial targets and strategy

Prisa signed a refinancing agreement with banks in December 2013 aimed at providing the Group with financial stability, extending debt maturities and affording it more time and flexibility to reduce debt and an improvement in its liquidity profile.

The objectives of the refinancing were to achieve an appropriate capital structure for the Company in the medium term, removing the financial burden of interest payments and aligning debt more closely to the cash flow generation of the various business areas. The agreement allows the Group to achieve a more coherent set of assets, with exposure to regions and businesses with scope for growth and cash generation, while preserving operational synergies.

Since the signed of said agreement, the Company made great strides in the execution of the refinancing plan, by repurchasing debt for a total of EUR 1,751.4 million with proceeds from the sale of assets such as Mediaset España and DTS and the capital increase subscribed by Consorcio Transportista Occher, S.A. and International Media Group. These transactions have meant that it has been possible to meet in advance the debt reduction commitments which are part of the refinancing contract.

Additionally, in April 2016 was subscribed an issue of bonds, mandatorily convertible into new issue ordinary shares of Prisa, through the conversion of financial debt of the Company canceling debt amounting to 100.7 million euros.

All these operations have contributed significantly to the strengthening of the Group's capital structure.

In 2017 the Group will continue to reinforce its capital structure, debt reduction and focusing on cash generation.

2. BUSINESS PERFORMANCE

Prisa's results are directly related to the performance of the Group's various business units. Its revenue arises mainly from the dividends it receives from its subsidiaries and its expenses relate to staff costs and services received. The variations in the equity of its subsidiaries also give rise to increases and decreases in the value of its investment portfolio.

The Group uses EBITDA to follow the evolution of its businesses and establish the operational and strategic objectives of the Group companies.

The EBITDA is defined as profit from operations plus changes in operating allowances, assets depreciation expense and impairment of assets.

The following tables detail the reconciliation between EBITDA and the Group's profit from operations for each of the segments of 2016 and 2015:

2016-

	Millions of Euros					
	Education	Radio	Press	Audiovisual (Media Capital)	Others	Prisa Group
PROFIT FROM OPERATIONS	98.6	28.2	7.1	33.3	(33.7)	133.5
Depreciations and amortisation charge	55.4	7.8	7.4	8.2	4.4	83.2
Change in operating allowances	14.7	4.6	0.7	0.7	8.4	29.1
Impairment of goodwill	-	0.4	-	-	-	0.4
Impairment of assets	2.2	0.3	-	-	0.2	2.7
EBITDA	170.9	41.3	15.2	42.2	(20.7)	248.9

2015-

	Millions of Euros					
	Education	Radio	Press	Audiovisual (Media Capital)	Others	Prisa Group
PROFIT FROM OPERATIONS	88.7	42.3	(6.5)	31.0	(34.7)	120.8
Depreciations and amortisation charge	59.3	6.8	7.1	9.2	8.2	90.6
Change in operating allowances	15.1	5.8	5.6	0.7	7.2	34.4
Impairment of goodwill	-	-	-	0.4	-	0.4
Impairment of assets	4.0	(0.1)	0.1	0.1	(1.9)	2.2
EBITDA	167.2	54.7	6.4	41.4	(21.3)	248.4

Key highlights for 2016 include:

- Group **operating income** in 2016 amounted to EUR 1,358.0 million (-1.2%) and **EBITDA** to EUR 248.9 million (+0.2%). Both magnitudes were negatively impacted by the evolution of the foreign exchange (FX).
- **Advertising revenue** totaled EUR 483.9 million (-2.8%), with a 0.9% decrease in advertising in Spain (due to the fall of traditional advertising in the press and radio, which is partially offset by online advertising and sponsorship growth) and a 4.0% increase in Portugal (above market growth) for the year 2016. Latin America radio showed difficulties due to macroeconomical and radio advertising industry deceleration, especially in Colombia. Also there is a significant impact due to foreign exchange (FX).
- **Latin America and the US** represented 45.5% of the Group's revenues and 61.0% of EBITDA.
- **Cost cutting** control continued throughout the Group, with resources allocated to growth, mainly in Santillana, Press, Radio and Media Capital. Expenses were down 2.2% affected as well by FX impact.
- **Control of the level of Capex**, mainly associated to less investment in prototypes and digitalization systems (mainly in Mexico, Brazil and Argentina). Also less investment in Radio for the purchase in 2015 of radio stations in Colombia that has not occurred in 2016.
- Operating revenues **in Education**, amounted to EUR 637.5 million (-0.8%), with a negative currency effect of EUR 44.7 million. Excluding the foreign exchange effect, revenues would have increased (+6.1%). EBITDA reaches EUR 170.9 million (+2.2%). Excluding the foreign exchange, EBITDA increases +11.2%, comparing to 2015.

In Latin America, all the campaigns of the most important countries have increased their revenues in constant currency with the exception of Mexico, due to lower institutional sales. It is worth mentioning the behavior of Peru by institutional tender of primary and secondary in the year.

Spain shows operational improvement, despite experiencing a slight drop in revenues, explained by the smaller adoptions in the 2016 campaign compared to the previous year.

Digital Education Systems (UNO and Compartir) continue their expansion in Latin America, growing in the number of students to reach 867,878. UNO and Compartir grew 6.9% in revenues (excluding exchange rates).

- **Radio** operating revenues amounted EUR 301.1 million (-4.4%), with a negative currency effect of EUR 12.8 million, and EBITDA reached EUR 41.3 million (-24.6%) basically due to Latam. Excluding the currency effect, EBITDA decreases -24.2%.

Advertising revenues in Spain decreases -3.5% (digital advertising grows +27.9% while national decreases -1.4%, local advertising declines -3.2% due to the effect of the elections in 2015 and exchange -39.5% by change in the accounting criteria).

According to the EGM, Prisa Radio in Spain maintains its leadership in generalist and musical radio

Latin America in local currency decreases -5.2%. The increase in Chile (+ 5.8%) and in Argentina (+47.4%) after the agreement with Albavisión, does not compensate for the decrease in Colombia (-14.2%) reflecting macroeconomical issues and sector specific difficulties in the country.

- In the **Press** division, income decreases -0.6% at EUR 239.9 million. Digital advertising and events growth offset lower traditional advertising revenues, promotions and circulation. EBITDA increased + 138.1% over the same period last year.

Total advertising revenues grew +3.0% (El País +2.3% and AS +14.2%). Traditional advertising suffered a -9.3% decline, compensated with an excellent performance of digital advertising revenues that increased 15.2% and higher events (+61.5%) associated with the 40th Anniversary. There is also a decrease in promotion revenues (-0.4%). Circulation revenues declined (-4.7%) although less than the newspaper circulation descend, due to an increase in the retail price in El País.

In December 2016, an average of 88.2 million unique browsers and 19.6 million unique users are registered.

- **Media Capital**, operating revenues reached EUR 174.0 million (-0.2%) and EBITDA amounted EUR 42.2 million (+1.9%). Advertising revenue advanced 4.1%, with good performances in TV (+3.6%), radio (+5.8%) and internet (+13.6%) above market performance. Despite the lower production in Spain, the drop in called value-added revenues and the sale of studies in Vialonga (in 2015), they were offset by the increase of advertising revenues and distribution of channels in Pay TV platforms allowing EBITDA to grow above 2015.
- **The Net Bank Debt decreased EUR 173.5 million in the year** and reached EUR 1.486,2 million in December 2016.

This indicator of debt includes non- current bank borrowings and current bank borrowings, excluding loan arrangement costs, diminish by current financial assets, cash and cash equivalents.

The following table shows the composition of this indicator for 2016 and 2015:

	Million of euros	
	2016	2015
Non-current bank borrowings	1,653.5	1,907.8
Current bank borrowings	68.5	100.8
Loan arrangement costs	30.1	48.3
Current financial assets (*)	(19.5)	(78.1)
Cash and cash equivalents	(246.4)	(319.0)
NET BANK DEBT	1,486.2	1,659.7

(*) In 2015, Current financial assets exclude 36.3 million euros corresponding to the amount pending of collection in relation with the sale price adjustments of DTS. These adjustments were resolved in favor of Prisa during the first half of 2016.

- Other **key highlights of the 2016** are:
 - **Issuance of mandatory convertible bonds**

As of April 1st of 2016, the General Meeting of Prisa and several of its main creditors have approved an agreement to perform a bonds issue, mandatorily convertible into ordinary shares of Prisa through debt cancellation. On June 22nd, 2016, such issuance formalized in public deed on April 7, has been registered in the trade register of Madrid.

The amount of that issue finally amounts to EUR 100.7 million, divided into EUR 32.1 million Tranche A, underwritten by HSBC Bank Plc., several entities of Santander and CaixaBank Group, SA redeemed all of its participation in the subordinated debt and EUR 68.6 million Tranche B, fully subscribed by HSBC Bank Plc. redeeming part of its shareholder loan.

- **Discounted debt buyback**

As described in note and 7.2 of the accompanying financial statements, during 2016 Prisa has made several discounted debt buyback.

In February 2016, Prisa made a Dutch auction process and agreed to buy back a total of EUR 65.9 million of debt, with an average discount of 16.02% and a total discount of EUR 10.6 million. The funds used for this auction arise from the sales of shares of DTS, Distribuidora de Televisión Digital, S.A., completed on April 30, 2015. Also, with funds of this sale operation, in August 2016 was repayment EUR 22.1 million, with an average discount of 11.0% and a total discount of EUR 2.4 million.

Additionally, in 2016, the Company paid off a total of EUR 33.1 million with with the funds obtained from the increase in capital subscribed by International Media Group, S.à.r.l. by the end of 2015, at an average discount of 23.2% and a total discount of EUR 7.7 million.

- **Canal+ sale**

In the first half of 2016, the adjustments of price of the sale Canal+ to Telefónica have been resolved in favor of Prisa for an amount of EUR 36.3million, so the total price of the transaction has finally amounted to EUR 724.6 million.

○ **Acquisition of NORMA (Education)**

On September 10, was closed the acquisition of NORMA by Santillana Educación, S.L.. The transaction consists of the acquisition of the shares owned by Carvajal, S.A. in the companies engaged in the education business in Colombia, Argentina, Chile, Guatemala, Mexico, Peru, Puerto Rico and Ecuador, as well as the transfer of certain trademarks linked to the business and the granting of a license over trademarks associated to the NORMA name of Grupo Carvajal. The final price of the operation, after applying the usual adjustments in this type of operations, was COP 51,880.3 million (EUR 14.4 million) and finally Ecuador was excluded from the agreement.

○ **Divesting process**

As of November 16th, Prisa announces that within the strategic review process initiated by the group, different alternatives are being considered, including, among others, an eventual disposal of all or part of the shares in Grupo Santillana Educación Global S.L., and to that end, the Company has launched the corresponding formal sale process.

3. HUMAN RESOURCES

Objectives and policies

Responsible human capital management in Prisa has the following objectives:

- Promote the **professional growth** and **personal development** of all employees in a work environment conducive to equality of opportunity without any discrimination. Base promotion on merit, capabilities and performance.
- Defend and apply the **principle of equality** between men and women, providing the same opportunities for pay and professional development in the workplace at all levels.
- Promote and improve women's **access to posts of responsibility**, reducing the inequalities and imbalances that can occur in a company.
- Introduce measures which promote a **work-life** balance for all workers.

To achieve these objectives, the Human Resources policies pursued by the Group are designed to promote the development of independent, committed professionals and the training of leaders amongst our staff as a means to inform, educate and entertain individuals and to act with social responsibility.

The geographical and cultural diversity of the staff in Prisa and the different jobs they hold, along with the challenges facing the industry and the need to rely on outside providers in our day-to-day activities require effective Management Policies, and company principles and values as outlined in Prisa's Code of Ethics, approved by the

Group's Board of Directors in 2015. The Compliance Unit constituted in 2016 is a support instrument in the communication and fulfillment of the previous objectives and policies.

Staff training

Staff training and continuing professional development are fundamental to Group policy and allow it to maintain optimal professional behaviour, high standards and excellent service.

Prisa's employees have access to a variety of courses from amongst the training opportunities that the company makes available to all its employees. These courses use a variety of tools for both face-to-face and online training (Prisa Campus).

In relation to face-to-face training in 2016, a transversal coordination effort was made to optimize all business unit training plans in order to improve the satisfaction results and the material reach of all of them.

PRISA CAMPUS is the online training portal for all the Group's employees. It is oriented to the development of our matrix of competencies for employees and to complement the process of sectoral professional reconversion that has been produced by the transformation of the traditional economy of the media into a digital economy. In 2016, it was possible to quantify a total of 1,690 registered students and in total there were 486 students who finished some of the courses and modules offered. Among the new features of the catalog were the following: Introduction to project management, Introduction to innovation and creativity, Introduction to Scrum and Scrum Master, and the Master in Advanced Digital Skills (2nd Edition).

The objective during 2017 will continue to be to increase the training offer to cover the most strategic and urgent needs detected anywhere in the organization, prioritizing three lines of global action: L1, development of leadership skills and teamwork; L2, transverse range digital transformation; L3, retraining and retraining of specific professional groups.

My idea! Is the open innovation platform for all employees to contribute their suggestions, improvement projects and even intellectual property to generate potential patents. The number of users per year reaches 4,701 and the number of spontaneous ideas proposed 340. This tool is aimed at identifying both individual talent and disruptive ideas that can arise from any angle of the organization. In addition, the innovation departments and Change Agents of each business unit are challenging to encourage participation and obtain seed for improvement projects for the Group's business as a whole.

Factoría de Experiencia (FEX) is another initiative to promote the Group's collective intelligence development through the identification of expert employees, who are responsible for providing useful knowledge to the entire organization. It has an online platform, which is accessible to all employees. This platform also integrates the experience and knowledge gained from the most relevant business, organization and technology projects. The number of users already reaches 2,546 users (and the number of pieces of knowledge published is 85).

Equality and Diversity Management

Prisa endorses, supports and promotes all policies that contribute to **equality of opportunity** and **non-discrimination** on the grounds of race, religion, gender or political affiliation. Group companies strictly comply with these principles in their day-to-day management.

It should be stated that all members of the Group are mandatorily required to have a Code of Ethics which includes, amongst their core values, pluralism and the respect for other ideas, cultures and people. Prisa undertakes to respect and protect human rights and public liberties, with its main objective being the respect for human dignity.

The intranet of the Group and its business units contains a declaration of the principles underlying the business of member companies which are used to promote equality, diversity and the inclusion of disadvantaged groups.

The **inspirational principles** which have been adopted by managers and workers alike are:

- A determination to respect the principle of equality of treatment in the workplace.
- A rejection of any type of discrimination on the grounds of gender, marital status, age, racial or ethnic origin, religion or belief, disability, sexual orientation, political ideas, membership of trade unions, etc.
- Particular attention to complying with equality of opportunity for men and women in access to employment, career progression, training, employment security and equality in pay.

A commitment to create positive working environments, prevent harassment and take action to resolve any cases that may occur.

Occupational health and safety

Prisa continues to promote a culture of prevention in all of its member companies, and has made a firm commitment to include risk prevention and occupational health in the overall management system of its companies.

In 2016, the Joint Prevention Service has focused its activity on the identification of psychosocial risk factors that may pose a risk to the health of workers.

Regulatory risk assessment audits have been carried out at the relevant companies, with satisfactory results.

Quarterly meetings with all Health and Safety Committees have continued to be held. Emergency evacuation measures have been implemented. In short, ensure at all times the continuous improvement of working conditions.

Social benefits

The Group wants all its companies to have suitable social benefits to give them a competitive edge to attract and retain the best employees. Each of the 22 countries in which the Group operates has its own special features to which the Human Resources Management Policy must be sensitive. It must offer a response that meets the needs and expectations of the employees of these companies.

In general terms, the social benefits that our employees receive in Spain include life insurance, invalidity or incapacity cover and maternity/paternity benefits. In general, the Group companies in Spain make no distinction between full-time and part-time employees, or between employees with permanent or fixed-term contracts when offering these benefits.

Within this framework, the flexible remuneration program that was designed in 2012 during the year 2016 continues to be implemented for companies in Spain with the entire product catalog. In addition, the Group companies in Portugal have a similar remuneration system.

Work-life balance

All business units have become aware of the benefits to be derived from balanced days which offer their employees a better opportunity to achieve the right work-life balance.

In this regard, it is now common practice to have flexitime arrangements, opportunities for teleworking, flexible working and compressed hours in the summer and at Christmas and Easter.

In addition, in 2016, in Spain, we have kept our plan to promote a better work-life balance based on five elements and intend to carry it forward to future years:

- Special voluntary leave with a guaranteed job to return to, pay and social security contributions.
- Extension of paid annual holidays with social security contributions.
- Extension of weekly rest days (4-day weeks) with maintenance of social security contributions.
- Permission to attend training, help with expenses and contributions to social security.
- Reduction of working hours without legal guardianship.

4. ENVIRONMENT

Prisa is committed to reducing the costs and the impact that our operations may have on the environment. The Group's Environmental Security Policy includes a series of basic principles in the area of legal compliance that contribute to the continuous improvement of our operations:

- Prisa will comply with all applicable legal requirements, and will, whenever possible, make every effort to anticipate them.
- The group will actively strive to reduce and prevent pollution and waste, and to conserve energy in all its operations.
- The group will require its suppliers to conduct their operations in an environmentally responsible manner.
- The group will ensure the safety of industrial operations, to avoid negative impact on the environment.

This policy is divided into three levels of action:

- Emission control
- Consumption control
- Waste Control

The aim is to provide safe products and services that respect the environment throughout their life cycle, and to conduct operations in an environmentally responsible manner.

The expenses incurred in respect of environmental compliance, which have not been material, are charged to the income statement as they arise.

The Group believes that it have no environmental responsibilities, expenses, assets, provisions or contingencies that might be material in relation to our equity, financial condition and results of operations.

5. LIQUIDITY AND CAPITAL RESOURCES

Financing

Note 7.2 "Financial Liabilities" of the accompanying notes to financial statements of Prisa for 2016 provide a description of the use of financial instruments by the Company.

Contractual commitments

Note 15 "*Future Commitments*" to the financial statements provide information on firm commitments giving rise to future cash outflows and associated with purchases and services received and any operating leases for buildings.

6. PRINCIPAL RISKS ASSOCIATED WITH THE BUSINESS

As head of the Group, the risks to which Prisa is exposed are directly related to those of its subsidiaries.

The activities of the subsidiaries of the Group and therefore its operations and results are subject to risks that can be grouped into the following categories:

- Strategic and operational risks.
- Financial risks.

Strategic and operational risks of the business of the Group

Macroeconomic risks-

In 2016, growth rates in Spain and Portugal were positive. After the important slowdown and volatility experienced in recent years, from year-end 2013, a change in this trend was shown and was consolidated in recent years, with forecasts of growth for 2017.

Main consumption indicators in these countries have been significantly deteriorated, and have impacted and still could impact, in case expectations of growth are not attained, in the future spending by customers on the products and services of the Group, including advertisers and other consumers of the content offerings of Prisa.

Furthermore, the activities and investments of Prisa in Latin America are exposed to the evolution of the various macroeconomic parameters of each country including a potential decline in consumption as a result of a slowdown in the growth rate in some of these countries, or recession in the economies.

Venezuela is maintained as the economy with the greatest structural risk in the Latin American region, while Brazil shows signs of stabilization, and is expected that it returns to positive growth rates in 2017. Colombia grew in the year although with risks related to inflation. Chile showed certain signs of acceleration. Mexico showed signs of slowdown due to the result in the American presidential election and Argentina remained immersed in its economic transition process. In general terms, macroeconomic forecasts are showing growths in most of the countries except Venezuela, Ecuador and Puerto Rico.

During 2016, the Group's results in Latin America were negatively affected by the weak exchange rate in the region. The impact of exchange rate volatility has become more moderated during the second half of the year. For 2017, an appreciation of major Latin America currencies is expected (except in Mexico and Argentina) in the comparison with 2016.

Additional deterioration of exchange rates could have an adverse effect on operating results and the financial condition of the Group.

Decline in advertising markets-

A relevant portion of the operating income (revenues) comes from advertising revenues through the press, radio, audiovisual and digital businesses. Expenditures by advertisers tend to be cyclical, reflecting overall economic conditions and perspectives.

In case those growth expectations in Spain, Portugal and certain Latin American countries were not met and the slowdown in growth or recession in other Latin American countries continued, the outlook for the Group's advertisers could be adversely affected. In view of the high component of fixed costs associated with business with a high component of advertising revenue (mainly Radio, Press and Television), a drop in advertising revenues directly impacts operating profit and therefore the ability to generate cash flow of the Group.

In addition, advertising revenue in the print media is affected by the change in the business model of the sector towards a digital environment.

Drop of circulation-

Press revenues from copy sales and subscriptions continue being negatively affected by the growth of alternative means of distribution, including free Internet sites for news and other contents. At the moment, there is no sign of this trend to change.

Competition risk-

The businesses of audiovisual, education, radio and press in which Prisa operates are highly competitive industries. The ability to anticipate and adapt to new needs and customer demands, influences the position of the Group's businesses compared to other competitors.

Sector regulation-

Prisa operates in regulated industries and is therefore exposed to regulatory and administrative risks that could adversely impact its business.

Specifically, the Group businesses are subject to comprehensive regulations including the requirement to maintain concessions and licenses for the operations in Audiovisual and Radio segments, while the business of education is subject to the applicable law on national or regional education cycles.

Country risk-

The Group operations and investments may be affected by various risks typical to investments in countries with emerging economies or under unstable situations, the most significant of which include devaluation of foreign currencies, introduction of exchange restrictions, inflation, expropriation or nationalization of foreign assets, changes in applicable foreign tax levels or changes in policies and regulations.

In the specific case of Education, a relevant part of its revenues in Latam come from public sales to Governments. Sales of the business could be negatively affected as far as macroeconomic parameters worsen or there are changes in educational policies.

Litigation risks-

Prisa is involved in significant litigations, which are described in the accompanying financial statements. Additionally, Prisa is exposed to liabilities for the content of their publications and programs.

Digital activity and safety net systems-

Digital activities depend on internet service providers, online service providers and on systems infrastructure. Significant system failures or security breaches could have an adverse effect on operating results and financial condition of the Group.

Technological risks-

In order to maintain and increase its businesses and competitiveness, Prisa must adapt to technological advances, for which research and development are key factors. Technological changes may facilitate the entry of new competitors and potential market share decrease of the Group.

In addition, services for managing information technology and developing R&D+innovation projects in some of the companies of the Group are outsourced to Indra Sistemas, S.A. ("Indra"). If these services were not to continue or were transferred to a new services provider, the operations of the Group could be affected.

Financial Risks

Financing risks -

The financial obligations of the Group are described in note 7.2 "*Financial Liabilities*" of the financial statements for 2016.

As is described in that note, in the month of December of 2013 the Group signed a debt refinancing agreement.

From that moment, the company paid off a total of EUR 1,751,385 thousand using the proceeds from the sale of Mediaset España, DTS and the increases in capital subscribed by Consorcio Transportista Occher, S.A. de C.V. and International Media Group, S.r.l. Additionally, during 2016 financial debt was reduced by EUR 100,742 thousand due to the issuance of mandatorily convertible bonds into newly issued ordinary shares of Prisa through conversion of financial debt of the company.

These operations allowed the Group to fulfill in advance commitments of debt reduction included in the refinancing agreement at December 31, 2015, in such a way that the next relevant financial commitment is to fall due in 2018, when Tranche 2 falls due for a total amount of EUR 956,512 thousand.

The Group is studying several options to meet these objectives such as the total or partial sale of assets, buying back debt at a discount in the market, leveraging operating assets and carrying out other corporate transactions. These options under study could be insufficient in case the generation of proceeds was not enough or in case the company does not reach an agreement with financial entities.

The value of the Group's assets in possible divestment processes could be affected by changes in financial markets or in the macroeconomic situation of the countries in which the Group operates. In this sense, the value of the assets could be affected by exchange rate depreciations against the euro or by situations of deceleration and volatility in different countries.

According to the contracts governing borrowing conditions and stipulated requirements, Prisa must meet certain commitments and financial leverage ratios (covenants). These contracts also include cross-default disposals.

As of December 31, 2016, the level of the Group net bank debt (EUR 1,486 million), imply certain risks:

- increasing the vulnerability to general economic downturns and adverse industry conditions;
- requiring a portion of cash flow from operations to be dedicated to the payment of interest on the indebtedness, therefore reducing the ability to use cash flow to fund short term operations, working capital requirements, capital expenditures and future business operations;
- exposing the Group to the risk of increased interest rates, as a part of the borrowings are at variable rates of interest; and
- limiting the ability to adjust to changing market conditions and placing the Group at a disadvantage compared to competitors who have less debt.

Equity situation of the Company-

The equity situation of the Company has been affected in the past by losses from registering the sale agreement of 56% of DTS which led to the automatically converted Tranche 3 debt into participating loans, in order to restore the equity balance, as shown in the Group's financing agreements (*see note 7.2 "Financial Liabilities" in the financial statement of Prisa*).

At December 31, 2016 the equity of the Company with respect to the cause of dissolution and/or reduction of capital stipulated in Spain's Corporate Enterprises Act (including participating loans outstanding at end) stood at EUR 159,176 thousand, which was over two thirds of the share capital.

Additional losses to be registered by the Company could result again in an equity imbalance situation and could imply that the company was in cause for dissolution.

Liquidity Risk-

The adverse macroeconomic situation, with significant drops in advertising and circulation has had a negative impact on the ability of the Group's cash generation in the last years, mainly in Spain. The advertising-dependent businesses have a high percentage of fixed costs and drop in advertising revenue significantly impact on margins and cash position, hindering the implementation of additional measures to improve the operational efficiency of the Group.

The Group thoroughly analyzes receivables and payments of its activities and maturity of financial and commercial debt. In relation with the commercial credit risk, the Group evaluates the aging of the debt and constantly manages receivables.

Additionally, the group analyzes on a recurrent basis other financing sources to cover short and medium term liquidity needs. However, as of December 31, 2016, the Group still maintains a net bank debt level of EUR 1,486 million.

Minority interests -

There are significant minority interests in some cash generating companies, to highlight education and radio. Santillana is required to pay to its minority interests (25% of its share capital) a predetermined fixed preferred dividend.

Interest rates risk exposure-

Approximately 59.85% of its bank borrowings terms are at variable interest rates, and therefore the Group is exposed to fluctuations in interest rates. Currently the Group has no interest rate hedges arrangements.

Fluctuations in foreign exchange rates-

The Group is exposed to fluctuations in the exchange rates mainly in the financial investments in Latin American subsidiaries, and for the revenues and results from those investments.

In order to mitigate this risk, as far as there are available credit facilities, the Group arranges hedges to cover the risk of changes in exchange rates (mainly foreign currency hedges and forwards) on the basis of projections and budgets which are reviewed on a monthly basis, in order to reduce volatility in cash flows transferred to the Parent from foreign subsidiaries.

Tax risks-

Tax risks of the Group are related to a possible different interpretation of the rules that could make the competent tax authorities as well as to the changes in tax rules in the different countries in which the Group operates.

Directors consider probable the recoverability of the tax assets within the legal deadline, although there is a risk that the ability to generate taxable income would not be sufficient to allow the recoverability of the tax credits arising from carry forward of tax losses, the limitation of the deductibility of interest and depreciation expenses and tax deductions.

7. OUTLOOK

The media industry is highly sensitive to trends in the main macroeconomic variables (i.e. GDP), consumption and, especially, the advertising cycle. Businesses like Education and Radio, with international presence, are also sensitive to the foreign exchange evolution. Business operations therefore will be affected by these inputs.

During 2017, growth expectations for Iberia continue, according to IMF (October 2016).

Activities and investments of Prisa in Latin America are exposed to macroeconomical inputs in every country, including potential consumption decline, as a consequence of lower growth rates or even a reduction of the economy.

According to the IMF macroeconomical scenario (October, 2016), in Latin America, growth is expected to continue during 2017, in all of the countries in which Prisa is present, except in Venezuela, Ecuador and Puerto Rico. Brazil will return to growth after two years of descend (it will grow +0.5%) and Argentina will also return to growth (+2.7%).

Economical growth will affect the evolution of the group's businesses. Results will also be affected by the exchange rate evolution. In 2016, results were negatively affected by the weakness of the exchange rate in the region. The impact of exchange rate volatility was higher in 1H of 2016, reducing its effect in the second half of the year. For 2017, an

appreciation of major Latin America currencies is expected (except in Mexico and Argentina) in the comparison with 2016.

Another variable influencing future performance is the advertising cycle. However, Prisa's exposure to the evolution of the advertising market is limited due to the diversification of its income (advertising revenues represent 35.6% of the total revenues of 2016). Advertising-dependent businesses have a high percentage of fixed costs, so the increase in advertising revenues significantly impacts on the results, which implies an improvement of margins and cash position of the Group.

Digital advertising is increasing significantly. Specifically, it increased by 13.0% in 2016 and in the Press Business Unit it now represents 41% of advertising revenue (36% in 2015). It is expected that the growth trend will continue in 2017, according to i2P (October 2016).

During 2016 advertising market grew in Spain +3.1% according to public sources (i2p). The same source estimates for 2017 that growth will continue in the Spanish market with a +2.9% increase.

In Spain, Group's advertising revenues fell -0.9% in 2016, due to lower local advertising in Radio and lower offline advertising in Press. It has been partially offset by the evolution of digital advertising and events. For 2017 it is estimated that advertising revenues will grow in line with market growth expectations and due to the digital advertising evolution and an improvement in Radio's performance.

In Portugal, advertising market evolution suffered a slow down due to the economical situation of the country. In 2016, growth has returned to the market (+1.5% in television, +6% in radio and +8.1% in internet, according to internal sources). In this context, advertising revenues of Media Capital increased by 4.1% over 2015, above market growth. For 2017 it is expected that advertising market will continue to grow, although at a lower rhythm in television and radio. Media Capital expects to grow above market growth.

In Latin America, according to Zenith Optimedia (June 2016), the radio advertising market will fall in 2016 -7.7, at constant exchange rates. Prisa Radio in Latin America fell by -5.2% (lower than market decline) at constant exchange rates, affected by the political, economic and social situation in Colombia, combined with the complicated situation in the advertising Radio industry. By 2017, it is expected a return to growth in Prisa Radio in a market that remains with declines (-2% according to Zenith Optimedia, June 2016), although more moderated than in 2016.

Prisa has other, less cyclical, businesses that do not depend on advertising but still show scope for growth, especially in Latin America. One example is Education, which in 2016 contributed 47.2% of the Group's total revenues and 67.5% of its EBITDA. In Latin America, revenues grew by 0.6%, besides the negative currency effect. Excluding the foreign exchange effect, Education increases +9.5% due to Peru's institutional sales, South Area Campaigns growth, and that 2016 is a medium year in the institutional sale cycle of Brazil (2015 was a low year in the cycle). South Area Campaigns evolution, as a whole, has been positive overall in local currency in 2016. North Area Campaigns have fallen -2.3% on constant currency, due to the Spanish campaign (2016 was a year with no renewals) and due to the delay in the Mexican new educational law. On the other hand, Digital Education Systems (UNO & Compartir) continue their expansion in Latin America, improving profitability in local currency and growing in the number of students. The

evolution in 2017, in what refers to Digital Education Systems depends essentially on the recruitment of students in the countries, in the institutional sales and in the Exchange rate evolution. Norma will contribute with growth to the Group, because it accounts in 2017 for the whole year, while in 2016 it started to consolidate in the Group in October (3 months).

Part of the Group's growth for 2017 will rely on digital growth. Digital audience numbers rose sharply (122.5 million unique browsers at December 2016, up 9% from last year). In 2017, the Company will continue its efforts to boost digital growth in all its business lines. Specifically, in Press the focus will remain on fully leveraging the leadership positions of El País and As newspapers, not only in Spain, but also in the American market, in addition to increase the digital video advertising.

In 2017 the Group will continue to reinforce its capital structure, debt reduction and focusing on cash generation.

8. RESEARCH AND DEVELOPMENT ACTIVITIES

The Group is constantly adapting its applications and current management processes to the changes occurring in its businesses and the technological change within its environment. It achieves this through its participation in and membership of national and international associations and forums enabling it to identify potential improvements or innovation and development opportunities for its services, processes and management systems.

Throughout 2016, the press unit, through **Prisa Noticias**, continued to drive the video, mobility and content distribution areas on the different market platforms.

EL PAÍS has continued to advance in mobility, focusing particularly on three areas.

In February a new iOS application was launched, which duplicated consumption. These developments, along with those made earlier on Android, improved the experience in such a way that users consumed more than 100 pages per month during the summer, and won the Bronze Lovie Award.

The main protagonist of the year, however, was the responsive redesign of the web released in April, which won the ÑH Silver Award. Thanks to this, *elpais.com* may be consulted from any type of device, be it mobile, tablet or PC, in optimal conditions and without losing any details of the contents.

Finally, multidistribution in Google y Facebook formats has been perfected: Google's AMP deployment has continued, which has increased the number of users arriving to *EL PAÍS* from search engines by 30%, and Instant Articles has been launched on Facebook, with 21% accessing *EL PAÍS* on Facebook from a mobile.

The other main innovation area has been video. On the one hand, *EL PAÍS* has launched an Immersive Journalism project with the 360° documentary *Fukushima Vidas Contaminadas*, winner of the Silver and the Public Lovie Awards. As a vehicle of these initiatives, the *EL PAÍS* VR application was created, which Google has included in its group of the Most Innovative Apps 2016. On the other hand, an ambitious schedule of retransmissions has been proposed for Facebook Live, with numerous weekly programs.

The year ended with the first steps towards the implementation of Youtube as a video platform, with *EL PAÍS* being the first Spanish broadcaster to develop this concept within the Digital News Initiative and the recently launched Apple TV Application.

2016 was also the year of the bot: in June *EL PAÍS* launched its Facebook Messenger bot followed by Twitter bot in November.

AS achieved its maximum historical audience in June 2016, with 7,735,000 unique PC users worldwide, according to Comscore data. In addition, the local editions in Chile, Mexico and Colombia are now in the top 3 sports media consumed in each of their markets according to Comscore.

In 2016 AS backed mobility and in July published all its editions in responsive format. In October it published a new mobile editorial application containing all the available international editions and the new section *MI ZONA*, where users can select and access the content that interests them with a single click. The *Copa América Bicentenario* app was also updated this year as was the League Guide with the updated information for the 2016-2017 season.

With regard to content distribution on news outlets for mobile devices, the publication of Facebook Instant Articles and Google AMP commenced.

In November 2016, AS was select by the Google DNI investment fund for its project Football Data Suite, which is focused on bringing data journalism closer to newsrooms for content creation. The project will be developed in 2017.

In 2016 **Prisa Radio** intensified its efforts to position its products as references in the digital media ecosystem, seeking to lead the development of online audio in all its markets. Major efforts are being made to broaden the range of multimedia content offered and make it available to users where and when they want to consume it.

The main lines of progress this year were:

- The redesign of the sites of 5 talk and 3 music radios in America in order to provide all the products with content management tools that boost audio consumption, facilitate the publication of multimedia content, adapt to mobile consumption and generate more traffic and, thus higher revenues. In Spain we have worked to adapt the responsive design articles (already launched on Cadena SER).
- Work on improving the *LOS40* (launched in December 2016) and *Cadena SER* (launched in January 2017) applications to increase user interaction and consumption of multimedia content. 7-radios applications have also been launched using the enterprise application development platform Replicapp.
- Podium Podcast, a global podcast network in Spanish, with its own web, app and multi-distribution in digital audio aggregators, was also launched.
- The Hertz project, funded by the Google Media Innovation Fund, was launched to improve audio search results and increase audio consumption.

- Finally, in the systems area, progress was made in updating the broadcast platform in Spain, Colombia and Chile.

In terms of **Education**, Santillana has maintained its commitment to including technology both in content solutions and in educational services. The most relevant initiatives were:

- Following the development of content for **Knewton adaptive learning technology**, the final **A2O** product for first grade Secondary school algebra (12-13 years) was tested in schools. The experiment involved 9 countries, 60 schools, 80 teachers and 1,250 students, who tested the functioning of a platform capable of designing individualized learning itineraries in real time and offering differentiated information on the performance of each student to teachers.

The main conclusions were: a) An excellent valuation of the user experience for the simplicity of the proposal and the clarity of the interface; b) adequacy of contents according to level of difficulty and progression; c) the usefulness of data-based technology; d) the versatility of the platform functions: it increases student motivation, is complementary as reinforcement and extension, facilitates review and preparation of exams, etc.; e) the robustness and scalability of Knewton's technology. In addition, internally we have learned the specific characteristics of an editorial work to design an adaptive work experience.

- Within the scope of **Mathematics** and given its importance as a common stumbling block, *Editora Moderna* has developed an investigation into the main difficulties presented in the learning of the subject. The study has focused on the 6th to 9th courses in the curricular content blocks related to "Numbers and Operations" and "Algebra". The objective was to obtain a map of the main problems through a diagnostic tool that detects the main and most frequent failures in both concepts and mathematical contents, as well as the application of both in specific contexts. A total of 856 students were evaluated following the Theory of Response to the Item in the preparation of the questions.
- **Saber y Más**, the digital content repository has been incorporated into the HP projector offering for the schools market.
- A proposal has been created for the evaluation of schools under the brand "**Programa Logros**" that integrates the *HabilMind* platforms (diagnostic evaluation of institutional variables of a center as well as cognitive and emotional aspects of the students), Efficient Learning (a portal for training in the basic cognitive skills on which learning is based, particularly mathematical and reading competence) and *PLENO* (an evaluation tool from the point of view Academic and curricular view), these three proposals in digital support are joined by a collection of practice notebooks to strengthen skills and competences.
- The second **SantillanaLab** call has been developed as a platform and meeting point for experts from different educational fields in relation to innovation that will allow Santillana to obtain a vision of current trends. One of the highlights of this year was the analysis of the potential of video in the service of teaching and learning; new methodologies such as Project Based Learning, the impact of the maker culture on the school, the transformation of educational spaces and the new

organizational and management models of innovation-oriented schools were also studied and discussed.

- The first phase of the project **SET21**, Santillana's proposal to educate the citizen of the 21st century, has been completed. True to its avant-garde vision, the project presents proposals to train in the skills and competences that the students will need for their better personal and professional fulfilment in the Internet and Knowledge Society. The editorial plan includes teacher and classroom material, workbooks for the student and a web as SET21 community space to create an innovative educational experience. Five programs have been published: Aprender a Emprender (entrepreneurship and leadership), Aprender a Pensar (cognitive skills), El Valor de las Cosas (economic and financial training, sustainability and responsible consumption), Navegar y Programar (teaching computational thinking and digital skills) and Las Cosas (programming and code learning). A pilot has been developed in Argentina and Chile which will be followed by its commercial launch in Spain, Colombia and Mexico.

In addition to what is highlighted above, in 2015 **Prisa Video** was created to develop and promote the video production, distribution and commercialization within the Prisa Group, in entertainment, current fairs, information, fiction and education.

Prisa Video launched a prestigious audio-visual production label, incorporating the new digital video narratives, and classical production for third parties. One of the main objectives of this production company is to develop content together with the advertisers and thus drive commercial transformation and growth of native advertising.

Prisa Video also analyses the opportunities within the digital video business environment separate from our current brands to design and launch new products.

This crosscutting division of Prisa also works daily with technology and commercial teams to qualify the content offer and the video commercial strategy for the entire Group.

Other objectives include driving distribution agreements, identifying video tools and expanding the project in Latin America and USA Hispanics.

In quantitative terms, in 2016, the Group achieved 457 million views of its websites.

9. TREASURY SHARES

Prisa has performed, and may consider performing, transactions with treasury shares. These transactions will always be for legitimate purposes, including:

- Undertaking treasury share acquisitions approved by the Board of Directors or pursuant to General Shareholders' Meeting resolutions.
- Covering requirements for shares to allocate to employees and management under stock option plans.

At December 31, 2016, Promotora de Informaciones, S.A. held a total of 330,407 treasury shares, representing 0.422% of its share capital.

Treasury shares are valued at market price at December 31, 2016 (5.250 euros per share).

The total amount of the treasury shares amounts to EUR 1,735 thousand.

At December 31, 2016, the Company did not hold any shares on loan.

10. SHARE PERFORMANCE

Description of Prisa's shareholder structure.

Prisa's share capital at December 31, 2016 consisted of 78,335,958 ordinary shares. These shares are listed on the Spanish stock exchanges (Madrid, Barcelona, Bilbao and Valencia).

In 2016, Prisa has reached an agreement with some of its main lenders to issue a mandatorily convertible bond into Prisa shares at 10 euros per share through debt exchange.

The amount of the mandatorily convertible bond reaches EUR 100,742 thousands and the conversion into Prisa shares will take place in 2018. The conversion in 2018 will imply the issuance of 10,604,878 new shares including the annual coupon payable in new shares of the Company. Total shares of Prisa including this issuance totalize 88,940,836 shares.

Following the changes in the Company's share capital in 2016, its main shareholders are Amber Capital, Telefónica, Rucandio, Consorcio Transportista Occher S.A, International Media Group, HSBC, Santander and Caixabank. Free float stands at around 19%.

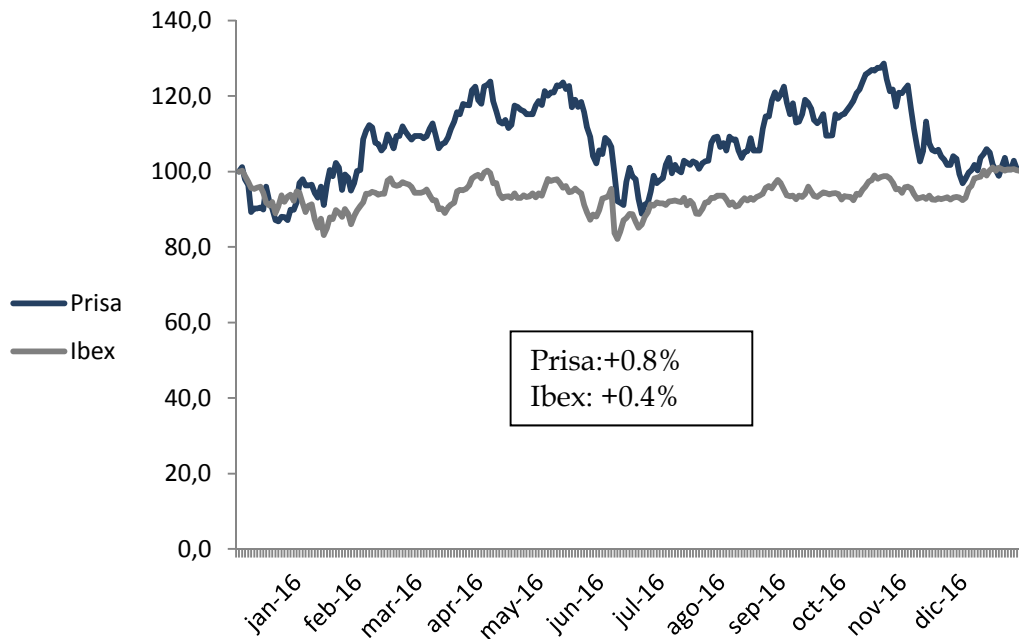
Share price performance

Prisa ordinary shares began 2016 trading at a price of EUR 5.22 per share (January 1, 2016) and ended the year at EUR 5.25 per share (December 30, 2016), implying a revaluation of +0.8%.

Prisa's share price performance was mixed over the quarters, with a +11.1% increase in the first quarter, - 12.7% fall in the second, +12.5% increase in the third and a fall of -7.9% in the fourth. Performance was heavily shaped by the macroeconomic and political developments in Spain and in the Latam economies and the evolution of the financial markets throughout the year.

The following chart shows the performance of the Prisa Group's shares relative to the IBEX35 index in 2016, indexed in both cases to 100:

Share price performance Prisa versus Ibex-35 (January-December 2016)



Source: Bloomberg (1 January 2016, 30 December 2016)

11. AVERAGE SUPPLIER PAYMENT TIME

According to the information required by the third additional provision of Law 15/2010, of 5 July (amended by the second final provision of Law 31/2014, of 3 December) approved in accordance with the resolution of ICAC (Spanish Accounting and Audit Institute) of 29 January 2016, the average period of payment to suppliers in commercial operations for companies located in Spain rises, in 2016, to 68 days.

The maximum legal period of payment applicable in 2015 under Law 3/2004, of 29 December, for combating late payment in commercial transactions, is 60 days.

During the coming financial year, the Directors will take the appropriate measures to reduce the average period of payment to suppliers to legally permitted levels, except in cases where specific agreements with suppliers exist which set further deferrals.

12. EVENTS AFTER THE BALANCE SHEET DATE

No significant events have occurred since December 31, 2016 until the date of approval of these financial statements.

**Promotora de
Informaciones, S.A.
(Prisa) and
subsidiaries**

**Consolidated Financial
Statements and Consolidated
Directors' Report for 2016,
together with Independent
Auditor's Report**

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain. In the event of a discrepancy, the Spanish-language version prevails.

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain. In the event of a discrepancy, the Spanish-language version prevails.

INDEPENDENT AUDITOR'S REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

To the shareholders of Promotora de Informaciones, S.A.,

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Promotora de Informaciones, S.A. ("the Parent") and subsidiaries ("the Group"), which comprise the consolidated balance sheet as at 31 December 2016, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and notes to the consolidated financial statements for the year then ended.

Directors' responsibility for the consolidated financial statements

The Parent's directors are responsible for preparing the accompanying consolidated financial statements so that they present fairly the consolidated equity, consolidated financial position and consolidated results of Promotora de Informaciones, S.A. and subsidiaries in accordance with International Financial Reporting Standards as adopted by the European Union and the other provisions of the regulatory financial reporting framework applicable to the Group in Spain (identified in Note 2.a to the accompanying consolidated financial statements) and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the audit regulations in force in Spain. Those regulations require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation by the Parent's directors of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

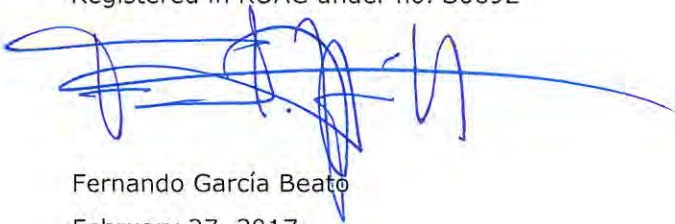
In our opinion, the accompanying consolidated financial statements present fairly, in all material respects the consolidated equity and consolidated financial position of Promotora de Informaciones, S.A. and subsidiaries as at 31 December 2016, and their consolidated results and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the other provisions of the regulatory financial reporting framework applicable to the Group in Spain.

Report on other legal and regulatory requirements

The accompanying consolidated directors' report for 2016 contains the explanations which the Parent's directors consider appropriate about the situation of Promotora de Informaciones, S.A. and subsidiaries, the evolution of their business and other matters, but is not an integral part of the consolidated financial statements. We have checked that the accounting information in the consolidated directors' report is consistent with that contained in the consolidated financial statements for 2016. Our work as auditors was confined to checking the consolidated directors' report with the aforementioned scope, and did not include a review of any information other than that drawn from the accounting records of Promotora de Informaciones, S.A. and subsidiaries.

DELOITTE, S.L.

Registered in ROAC under no. S0692



Fernando García Beato

February 27, 2017

**PROMOTORA DE INFORMACIONES, S.A. (PRISA) AND
SUBSIDIARIES**

Consolidated Financial Statements for 2016 prepared in accordance with International Financial Reporting Standards as adopted by the European Union, together with Consolidated Directors' Report for 2016

**PROMOTORA DE INFORMACIONES, S.A. (PRISA) AND
SUBSIDIARIES**

Consolidated Financial Statements for 2016 prepared in accordance with
International Financial Reporting Standards as adopted by the European Union

PROMOTORA DE INFORMACIONES, S.A. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET AT DECEMBER 31, 2016
(Thousands of euros)



ASSETS	Notes	12.31.2016	12.31.2015	EQUITY AND LIABILITIES	Notes	12.31.2016	12.31.2015
A) NON-CURRENT ASSETS		1,273,699	1,336,733	A) EQUITY	10	(336,045)	(394,587)
I. PROPERTY, PLANT AND EQUIPMENT	5	122,390	127,866	I. SHARE CAPITAL		235,008	235,008
II. GOODWILL	6	593,121	577,298	II. OTHER RESERVES		(705,059)	(800,689)
III. INTANGIBLE ASSETS	7	130,796	129,051	III. ACCUMULATED PROFIT		47,470	144,206
IV. NON-CURRENT FINANCIAL ASSETS	11a	33,892	30,904	- From prior years		115,329	138,912
V. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD	8	36,690	42,841	- For the year: Profit attributable to the Parent		(67,859)	5,294
VI. DEFERRED TAX ASSETS	17	353,653	425,218	IV. TREASURY SHARES		(1,735)	(2,386)
VII. OTHER NON-CURRENT ASSETS		3,157	3,555	V. EXCHANGE DIFFERENCES		(809)	(37,662)
B) CURRENT ASSETS		852,732	1,026,659	VI. NON-CURRENT INTERESTS		89,080	66,936
I. INVENTORIES	9a	168,679	153,521	B) NON-CURRENT LIABILITIES		1,909,125	2,176,489
II. TRADE AND OTHER RECEIVABLES	9b	400,622	434,224	I. NON-CURRENT BANK BORROWINGS	11b	1,653,535	1,907,758
1. Trade receivables for sales and services		2,571	3,763	II. NON-CURRENT FINANCIAL LIABILITIES	11b	136,149	131,822
2. Receivable from associates	17	40,956	34,274	III. DEFERRED TAX LIABILITIES	17	21,055	36,452
3. Receivable from public authorities		30,694	34,927	IV. LONG-TERM PROVISIONS	12	56,516	59,746
4. Other receivables	9b	(56,719)	(67,551)	V. OTHER NON-CURRENT LIABILITIES	23	41,870	40,711
5. Allowances		418,124	439,637	C) CURRENT LIABILITIES		553,351	581,490
III. CURRENT FINANCIAL ASSETS	11a	19,506	114,453	I. TRADE PAYABLES	23	301,636	296,062
IV. CASH AND CASH EQUIVALENTS	9c	246,423	319,001	II. PAYABLE TO ASSOCIATES		1,609	2,893
V. ASSETS CLASSIFIED AS HELD FOR SALE		-	47	III. OTHER NON-TRADE PAYABLES	9d	67,945	65,737
				IV. CURRENT BANK BORROWINGS	11b	68,488	100,765
				V. CURRENT FINANCIAL LIABILITIES	11b	23,104	23,117
				VI. PAYABLE TO PUBLIC AUTHORITIES	17	61,633	62,623
				VII. PROVISIONS FOR RETURNS		8,071	7,511
				VIII. OTHER CURRENT LIABILITIES	9e	20,865	22,782
TOTAL ASSETS		2,126,431	2,363,392	TOTAL EQUITY AND LIABILITIES		2,126,431	2,363,392

The accompanying Notes 1 to 26 and Appendix I and II are an integral part of the consolidated balance sheet at December 31, 2016.

PROMOTORA DE INFORMACIONES, S.A. AND SUBSIDIARIES
CONSOLIDATED INCOME STATEMENT FOR 2016
(Thousands of euros)



	Notas	12.31.2016	12.31.2015
Revenue		1,329,961	1,348,006
Other income		28,076	26,056
OPERATING INCOME	13	1,358,037	1,374,062
Cost of materials used		(217,437)	(212,779)
Staff costs	14	(388,709)	(412,773)
Depreciation and amortisation charge	5-7	(83,196)	(90,611)
Outside services	14	(502,581)	(499,574)
Change in allowances, write-downs and provisions	14	(29,149)	(34,412)
Impairment of goodwill	6	(431)	(390)
Other expenses		(3,060)	(2,695)
OPERATING EXPENSES		(1,224,563)	(1,253,234)
PROFIT FROM OPERATIONS		133,474	120,828
Finance income		25,560	74,120
Finance costs		(108,679)	(170,600)
Changes in value of financial instruments		(1)	884
Exchange differences (net)		(3,937)	(13,209)
FINANCIAL LOSS	15	(87,057)	(108,805)
Result of companies accounted for using the equity method	8	4,181	4,155
Loss from other investments		(849)	0
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		49,749	16,178
Expense tax	17	(87,110)	25,323
PROFIT FROM CONTINUING OPERATIONS		(37,361)	41,501
Loss after tax from discontinued operations		(296)	(2,684)
CONSOLIDATED PROFIT FOR THE YEAR		(37,657)	38,817
Profit attributable to non-controlling interests	10j	(30,202)	(33,523)
PROFIT ATTRIBUTABLE TO THE PARENT		(67,859)	5,294
BASIC EARNINGS PER SHARE (in euros)	19	(0.87)	0.07
BASIC EARNINGS PER SHARE (in euros)	19	(0.87)	0.07
- Basic earnings per share from continuing activities (in euros)	19	(0.87)	0.11
- Basic earnings per share from discontinuing activities (in euros)	19	0.00	(0.04)

The accompanying Notes 1 to 26 and Appendix I and II are an integral part of the consolidated income statement for 2016.



PROMOTORA DE INFORMACIONES, S.A. AND SUBSIDIARIES
CONSOLIDATE STATEMENT OF COMPREHENSIVE INCOME FOR 2016
(Thousands of euros)

	12.31.2016	12.31.2015
CONSOLIDATED PROFIT FOR THE YEAR	(37,657)	38,817
Items that may be reclassified subsequently to profit or loss		
Translation differences	20,964	(73,593)
Available-for-sale financial assets	27,088	(59,411)
Profit/(Loss) for valuation	117	(16,257)
Amounts transferred to the profit and loss account	117	(43)
Tax effect	(29)	4,552
Entities accounted for using the equity method	(6,212)	(2,477)
TOTAL RECOGNIZED INCOME AND EXPENSE	(16,693)	(34,776)
Attributable to the Parent	(52,928)	(50,967)
Attributable to non-controlling interests	36,235	16,191

The accompanying Notes 1 to 26 and Appendix I and II are an integral part of the consolidated statement of comprehensive income for 2016.



PROMOTORA DE INFORMACIONES, S.A. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR 2016
(Thousands of euros)

	Reserves for							Equity attributable to the Parent	Non-controlling interests	Equity
	Share capital	Share premium	Reserves	first-time application of IFRSs	Prior years' accumulated profit	Treasury shares	Exchange differences			
Balance at December 31, 2014	215,908	1,328,671	(1,175,053)	(72,661)	1,471,593	(3,116)	(4,842)	(2,236,832)	(476,434)	(617,771)
Capital increases (Note 10a y 10b)	19,200	42,628							61,828	61,828
Treasury share transactions (Note 10g)										
- Delivery of treasury shares						2,977			2,977	2,977
- Purchase of treasury shares			(238)			(2,485)			(2,485)	(2,485)
- Reserves for treasury shares						238				
Distribution of 2014 results			(912,712)		(1,324,120)			2,236,832		
- Reserves										
Income and expense recognised in equity										
- Translation differences (Note 10b)					(11,736)		(32,820)	5,294	(44,556)	(17,332)
- Result for 2015								5,294	33,523	38,817
- Measurement of financial instruments (Note 11a)			(11,705)						(11,705)	(11,705)
Other			383		3,175				3,558	1,953
Changes in non controlling interest (Note 10i)										
- Dividends paid during the year									(28,186)	(28,186)
- Due to changes in scope of consolidation									218,315	218,315
Balance at December 31, 2015	235,008	1,371,299	(2,099,327)	(72,661)	138,912	(2,386)	(37,662)	5,294	(461,523)	(394,567)
Conversion of financial liabilities into equity (Note 10c)			100,742						100,742	100,742
Treasury share transactions (Note 10g)										
- Delivery of treasury shares						777			777	777
- Purchase of treasury shares						(126)				
- Reserves for treasury shares			126							
Distribution of 2015 results			(5,168)		10,462			(5,294)		
- Reserves										
Income and expense recognised in equity										
- Translation differences (Note 10b)					(14,890)		29,733	(67,859)	14,843	6,033
- Result for 2016								(67,859)	30,202	(37,657)
- Measurement of financial instruments (Note 11a)			88		(19,135)		7,120		88	88
Other			(158)						(12,193)	3,619
Changes in non controlling interest (Note 10i)										
- Dividends paid during the year									(29,903)	(29,903)
Balance at December 31, 2016	235,008	1,371,299	(2,003,697)	(72,661)	115,329	(1,735)	(809)	(67,859)	(425,125)	(336,045)

The accompanying Notes 1 to 26 and Appendix I and II are an integral part of the consolidated statement of changes in equity for 2016.



PROMOTORA DE INFORMACIONES, S.A. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOW FOR 2016
(Thousands of euros)

	Notas	12.31.2016	12.31.2015
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS			
Depreciation and amortisation charge and provisions		49,749	16,178
Changes in working capital		115,387	127,585
Inventories	9a	(14,856)	(45,140)
Accounts receivable	9b	(10,124)	5,720
Accounts payable		11,809	4,443
		(16,541)	(55,303)
Income tax recovered (paid)	17	(31,268)	(36,755)
Other profit adjustments		73,328	106,202
Financial results	15	87,057	108,805
Gains and losses on disposal of assets	5	(2,163)	(4,107)
Other adjustments		(11,566)	1,504
CASH FLOWS FROM OPERATING ACTIVITIES		192,340	168,070
Recurrent investments		(72,103)	(80,469)
Investments in intangible assets	7	(48,973)	(52,811)
Investments in property, plant and equipment	5	(23,130)	(27,658)
Investments in non-current financial assets		(25,801)	(8,743)
Proceeds from disposals	3	110,811	893,739
Investments in non-current financial assets		4,674	8,238
CASH FLOWS FROM INVESTING ACTIVITIES		17,581	812,765
Proceeds and payments relating to equity instruments	10a	(1,131)	59,154
Payments relating to financial liability instruments		13,968	59,423
Payments relating to financial liability instruments	11b	(225,975)	(845,687)
Dividends and returns on other equity instruments paid		(29,812)	(4,289)
Interest paid		(42,516)	(49,367)
Other cash flow from financing activities		2,745	(12,492)
CASH FLOWS FROM FINANCING ACTIVITIES		(282,721)	(793,258)
Effect of foreign exchange rate changes		222	(21,007)
CHANGE IN CASH FLOWS FROM CONTINUING OPERATIONS		(72,578)	166,570
CHANGE IN CASH FLOWS IN THE YEAR		(72,578)	166,570
Cash and cash equivalents at beginning of year		319,001	152,431
- Cash	9c	301,129	57,333
- Cash equivalents		17,872	95,098
Cash and cash equivalents at end of period		246,423	319,001
- Cash		236,230	301,129
- Cash equivalents		10,193	17,872

The accompanying Notes 1 to 26 and Appendix I and II are an integral part of the consolidated statement of cash flow for 2016.

**PROMOTORA DE INFORMACIONES, S.A. (PRISA) AND
SUBSIDIARIES**

Notes to the Consolidated Financial Statement for 2016 prepared in accordance with
International Financial Reporting Standards as adopted by the European Union



Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with IFRSs as adopted by the European Union (see notes 2 and 26). In the event of a discrepancy, the Spanish-language version prevails.

PROMOTORA DE INFORMACIONES, S.A. (PRISA)

AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENT FOR 2016

(1) GROUP ACTIVITIES AND PERFORMANCE

a) Group activities

Promotora de Informaciones, S.A. ("Prisa" or "the Company") was incorporated on January 18, 1972, and has its registered office in Madrid, at Gran Vía, 32. Its business activities include, inter alia, the exploitation of printed and audiovisual media, the holding of investments in companies and businesses and the provision of all manner of services.

In addition to the business activities carried on directly by the Company, Prisa heads a group of subsidiaries, joint ventures and associates which engage in a variety of business activities and which compose the Group ("the Prisa Group" or "the Group"). Therefore, in addition to its own separate financial statements, Prisa is obliged to present consolidated financial statements for the Group including its interests in joint ventures and investments in associates.

The consolidated financial statements for 2015 were approved by the shareholders at the Annual General Meeting held on April 1, 2016 and are deposited in the Mercantile Register of Madrid.

The Group's consolidated financial statements for 2016 were authorized for issue by the Company's directors on February 24, 2017, for submission to the approval of the General Meeting of Shareholders, it being estimated that they will be approved without modification.

These consolidated financial statements are presented in thousands of euros as this is the currency of the main economic area in which the Group operates. Foreign operations are accounted for in accordance with the policies described in Note 2d.

Shares of Prisa are admitted to trading on continuous market of the Spanish Stock Exchanges (Madrid, Barcelona, Bilbao and Valencia).

b) Evolution of the financial structure of the Group

In December 2013, the Group signed an agreement to refinance its financial debt which involved maturity date extensions; greater flexibility in the process of debt reduction and an improvement in its liquidity profile.

This improvement in its liquidity profile was the result of obtaining an additional credit line arranged with certain institutional investors which was provided in full and cancelled in 2015 using part of the funds from the sale of 56% of DTS, Distribuidora de Televisión Digital, S.A. ("DTS") (*see note 11b*).

The refinancing agreement included a series of commitments to reduce debt for 2015 and 2016 which, at December 31, 2015, fulfilled in advance (*see note 11b*).

Since the signature of the refinancing agreement, the company paid off a total of EUR 1,751,385 thousand using the funds from the following transactions:

- EUR 844,166 thousand with the proceeds from the sale of 17.3% de Mediaset España Comunicación, S.A. ("Mediaset España"). In 2014, 13.68% of the company was sold and debt of EUR 643,542 thousand was paid off, with an average discount of 25.7%. In 2015 an additional 3.63% of the company was sold, cancelling EUR 200,624 thousand of debt with an average discount of 18.3%.
- EUR 729,478 thousand, with the funds obtained through the settlement of the sale of 56% of DTS in 2015. In 2015, EUR 621,779 thousand was cancelled: EUR 385,542 thousand corresponded to the credit line obtained in 2013 and additionally, in accordance with the refinancing contract, debt of EUR 96,686 thousand was cancelled at an average discount of 12.9% along with EUR 139,551 thousand at par value. During 2016, EUR 107,699 thousand were cancelled, EUR 88,036 thousand with an average discount of 14.76% and EUR 19,663 thousand at par value.
- EUR 133,133 thousand in 2014, with the funds obtained from the increase in capital subscribed by Consorcio Transportista Occher, S.A. de C.V. ("Occher") in 2014, at a discount of 25%.
- EUR 33,096 thousand in 2016, with the funds obtained from the increase in capital subscribed by International Media Group, S.à.r.l. by the end of 2015, at an average discount of 23.2%.
- EUR 11,512 thousand in 2015, with funds from the sale of the trade publishing business in 2014.

Additionally, on April 1, 2016 the Shareholders' General Meeting of Prisa approved the bonds issue, mandatorily convertible into newly issued ordinary shares, through the conversion of financial debt of the Company. The issue of the bonds has been subscribed in April through debt cancellation for an amount of EUR 100,742 thousand (*see notes 10 and 11b*).

These transactions made a significant contribution to reinforce and re-establish Prisa's equity, which had in the past been affected by losses from registering the sale agreement of 56% of DTS which automatically converted Tranche 3 debt into participating loans, as shown in the Group's financing agreements (*see note 11b*).

At December 31, 2016, the equity of the parent company with respect to the cause of dissolution and/or reduction of capital stipulated in Spain's Corporate Enterprises Act (including participating loans outstanding at year end) stood at EUR 159,176 thousand, more than two thirds of total share capital.

The next relevant financial commitment is to fall due in 2018, when Tranche 2 falls due (*see note 11b*). The Group is studying several options to meet these objectives such as the total or partial sale of assets, buying back debt at a discount in the market, leveraging operating assets and carrying out other corporate transactions.

(2) BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

a) Application of International Financial Reporting Standards (IFRSs)

The Group's consolidated financial statements were prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union, in conformity with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council, taking into account all mandatory accounting policies and rules and measurement bases with a material effect, as well as with the Commercial Code, the obligatory legislation approved by the Institute of Accounting and Auditors of Accounts, and other applicable Spanish legislation.

In accordance with IFRSs, the following should be noted in connection with the scope of application of International Financial Reporting Standards and the preparation of these consolidated financial statements of the Group:

- The IFRSs are applied in the preparation of the consolidated financial information of the Group. The financial statements of individual companies that are part of the Group are prepared and presented in accordance with accounting standards in each country.
- In accordance with IFRSs, these consolidated financial statements include the following consolidated statements of the Group:
 - Consolidated balance sheet
 - Consolidated income statement
 - Consolidated statement of comprehensive income
 - Consolidated statement of changes in equity
 - Consolidated statement of cash flows
- As required by IAS 8, uniform accounting policies and measurement bases were applied by the Group for all transactions, events and items in 2016 and 2015.

In 2016, the following amendment to accounting standard came into force which, therefore, was taken into account when preparing the accompanying consolidated financial statements:

- Amendment to IAS 16 and 38. Acceptable methods of depreciation and amortization
- Modification of IAS 19. Employee contributions to defined benefit plans
- Amendment to IFRS 11. Acquisition of units in joint operations.
- Amendment to IAS 16 and 41. Production plants.
- Improvements to IFRS Cycle 2010-2012 and Cycle 2012 - 2014
- Amendment to IAS 27. Equity method in separate financial statements.
- Amendments to IAS 1. Breakdown initiative
- Annual improvements to IFRS 10, IFRS 12 and IAS 28: Investment entities.

The application of these amendments and interpretations did not have a significant impact on the Group's consolidated financial statements for this year.

At December 31, 2016, the Prisa Group had not applied the following standards or interpretations issued, since the effective application thereof was required subsequent to that date or they have not been adopted by the European Union.

Standards, amendments, and interpretations		Mandatory application for financial years beginning on or after
Approved for use in the EU		
IFRS 9	Financial instruments	January 1, 2018
IFRS 15	Revenue from contracts with customers	January 1, 2018
Not yet approved for use in the EU		
IFRS 16	Leases	January 1, 2019
Amendments to IAS 12	Recognition of deferred taxes	January 1, 2017
Amendments to IAS 7	Disclosure initiative	January 1, 2017
Clarifications to IFRS 15	Revenue from contracts with customers	January 1, 2018
Amendments to IFRS 2	Classification and measurement of share based payment transactions	January 1, 2018
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts	January 1, 2018
Improvements to IFRS Standards 2014-2016 Cycle	Minor amendments to a number of standards.	January 1, 2017/January 1, 2018
IFRIC Interpretation 22	Foreign Currency Transactions	January 1, 2018
Amendments to IAS 40	Transfers of Investment Property	January 1, 2018
Amendments to IFRS 10 and IAS 28	Sales or contributions of assets between an investor and its associate/joint venture	No date set

All the accounting principles and measurement bases with a material effect on the consolidated financial statements were applied.

As of the date of preparation of these annual accounts, the Group's directors are analysing the requirements and future impact of adopting IFRS 15 "Recognition of revenue", IFRS 9 "Financial instruments" and IFRS 16 "Leases", without it being possible at this time to make a reasonable

assessment of the effect until this analysis has been completed. Furthermore, they are assessing the potential impact of the future application of the rest of the standards on the Group's consolidated financial statements.

b) Fair presentation and accounting principles

The consolidated financial statements were obtained from the separate financial statements of Prisa and its subsidiaries and, accordingly, they present fairly the Group's equity and financial position at December 31, 2016, and the results of its operations, the changes in equity and the cash flows in the year then ended. The Group prepared its financial statements on a going concern basis. Also, with the exception of the consolidated statement of cash flows, these consolidated financial statements were prepared in accordance with the accrual basis of accounting.

Given that the accounting policies and measurement bases applied in preparing the Group's consolidated financial statements for 2016 may differ from those applied by some of the Group companies, the necessary adjustments and reclassifications were made on consolidation to unify these policies and bases and to make them compliant with IFRSs as adopted by the European Union.

c) Responsibility for the information and use of estimates

The information in these consolidated financial statements is the responsibility of the Group's directors.

In the consolidated financial statements for 2016 estimates were occasionally made by executives of the Group and of the entities in order to quantify certain of the assets, liabilities and obligations reported herein. These estimates relate basically to the following:

- The measurement of assets and goodwill to determine the possible existence of impairment losses (*see notes 4f and 4d*).
- The useful life of property, plant, and equipment, and intangible assets (*see notes 4b and 4e*).
- The hypotheses used to calculate the fair value of financial instruments (*see note 4g*).
- The assessment of the likelihood and amount of undetermined or contingent liabilities (*see note 4j*).
- Estimated sales returns received after the end of the reporting period.
- Provisions for unissued and outstanding invoices;
- The estimates made for the determination of future commitments.
- The recoverability of deferred tax assets (*see note 17*).

Although these estimates were made on the basis of the best information available at the date of preparation of these consolidated financial statements on the events analysed, it is possible that events that may take place in the future force them to modify them, upwards or downwards. In this case, the effects in the corresponding consolidated income statements for future periods, as well as in assets and liabilities, would be recognized.

In 2016, there were no significant changes in the accounting estimates made at the end of 2015.

d) Basis of consolidation

The consolidation methods applied were as follows:

Full consolidation-

Subsidiaries are accounted for using the equity method, and all their assets, liabilities, income, expenses and cash flows are included in the consolidated financial statements after the necessary adjustments and eliminations have been carried out. Subsidiaries are companies over which the parent company exercises control, i.e. it has the power to direct their financial and operating policies, it is exposed or is entitled to variable earnings or has the ability to influence their earnings. Subsidiaries accounted for using the equity method are listed in Appendix I.

The results of subsidiaries which are acquired or sold during the year are included in the consolidated income statement from the effective date of acquisition or until the effective date of disposal, as appropriate.

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values. Any excess of the cost of the subsidiary's acquisition over the Parent Company's share of the net fair value of its assets and liabilities is recognized as goodwill. Any deficiency is credited to the consolidated income statement.

The share of third parties of the equity of Group companies is presented under "*Equity - Non-controlling interests*" in the consolidated balance sheet and their share of the profit for the year is presented under "*Profit attributable to non-controlling interests*" in the consolidated income statement.

The interest of non-controlling shareholders is stated at those shareholders' proportion of the fair values of the assets and liabilities recognized.

All balances and transactions between the fully consolidated companies were eliminated on consolidation.

Equity method-

Associates are accounted for using the equity method. Associates are companies in which Prisa holds direct or indirect ownership interests of between 20% and 50%, or even if the percentage of ownership does not reach those levels, it has significant influence over their management.

This method was also applied to joint ventures, considered as arrangements whereby the parties that exercise joint control over the company are entitled to its net assets on the basis of the arrangement. Joint control is the sharing of control that is contractually decided and set out in an agreement, which exists only when decisions concerning major operations require the unanimous consent of the parties that share control.

The companies accounted for using the equity method are listed in Appendix I and II, together with their main financial aggregates.

Under the equity method, investments are recognized in the balance sheet at the Group's share of net assets of the investee, adjusted, if appropriate, for the effect of transactions performed with the Group, plus any unrealized gains relating to the goodwill paid on the acquisition of the company.

Dividends received from these companies are recognized as a reduction in the value of the Group's investment. The Group's share of the profit or loss of these companies is included, net of the related tax effect, in the consolidated income statement under "*Result of companies accounted for using the equity method.*"

Other matters -

The items in the balance sheets of the foreign companies included in the scope of consolidation were translated to euros using the closing rate method, i.e. all assets, rights and obligations were translated at the exchange rates prevailing at the end of the reporting period. Income statement items were translated at the average exchange rates for the year. The difference between the value of the equity translated at historical exchange rates and the net equity position resulting from the translation of the other items as indicated above is recognized under "*Equity- Exchange differences*" in the accompanying consolidated balance sheet.

Balances and transactions in currencies of hyperinflationary economies are translated at the closing exchange rate after adjusting the effects of changes in prices according to local regulations. At December 31, 2016, the only country in which the Group operates that pursuant to IAS 21 could be considered to be a hyperinflationary economy is Venezuela.

In the consolidated financial statement for the year 2016, the Group has used the Venezuelan bolivar exchange rate by the reference to the DICOM, which at December 31, 2016 was 709.6 strong bolivars per euro for the currency conversion of the accounting figures Of flows and balances related to investments in Venezuela.

The operations and investments in Latin America may be affected by various risks typical of investments in countries with emerging economies, such as currency devaluation, inflation, restrictions on the movement of capital. Specifically, in Venezuela the movement of funds is affected by complex administrative procedures, expropriation or nationalization, tax changes , changes in policies and regulations or unstable situations.

In keeping with standard practice, these consolidated financial statements do not include the tax effect of transferring to Prisa's accounts the accumulated reserves and retained earnings of the other consolidated companies, since it is considered that these balances will be used as equity by said companies.

The data relating to Sociedad Española de Radiodifusión, S.L., Prisa Radio, S.A., Santillana Educación Global, S.L., Prisa Brand Solutions, S.L.U., Dédalo Grupo Gráfico, S.L., Promotora de Emisoras de Televisión, S.A., Gran Vía Musical de Ediciones, S.L., Grupo Latino de



Radiodifusión Chile, Ltda., Sistema Radiópolis, S.A. de C.V. and Grupo Media Capital SGPS, S.A. contained in these notes were obtained from their respective consolidated financial statements.

(3) CHANGES IN THE GROUP STRUCTURE

The most significant changes in the scope of consolidation in 2016 were as follows:

Subsidiaries

In January 2016, Gran Vía Musical Colombia, S.A.S., 100% owned by Gran Vía Musical de Ediciones, S.L., was dissolved.

In April 2016, Prisa Radio Perú, S.A.C. was created, 99.99% owned by Sociedad Española de Radiodifusión, S.L. and 1 share by Prisa Radio, S.A.

In June 2016, RLM Colombia, S.A.S, was liquidated, 100% owned by RLM, S.A.

Also, in June 2016, Projectos de Media e Publicidade Unipessoal, Lda, merged with Serviços de Consultoria e Gestão, S.A.

Additionally in June, 2016, Nova Ediciones Musicales, S.A., Lyrics and Music, S.L. and Compañía Discográfica Muxxic Records, S.A. merged with Gran Vía Musical de Ediciones, S.L.

In August 2016, Sociedad Española de Radiodifusión, S.L. incorporated Unión Radio Servicios Corporativos, S.A.U., Unión Radio Digital, S.A., Antena 3 de Radio, S.A.U., Antena 3 de Radio Melilla, S.A. and La Palma Difusión, S.A.U.

In March 2016, Grupo Santillana Educación Global, S.L. signed an agreement with Carvajal, S.A. for the acquisition of its educational business (NORMA) for a price of COP 60,000 million (equivalent to around EUR 16,800 thousand).

The transaction consists of the acquisition of the shares owned by Carvajal, S.A. in the companies engaged in the education business in Colombia, Argentina, Chile, Guatemala, Mexico, Peru, Puerto Rico and Ecuador, as well as the transfer of certain trademarks linked to the business and the granting of a license over trademarks associated to the NORMA name of Grupo Carvajal.

The transaction was closed in September 2016 for a final price of COP 51,880 million (EUR 14,392 thousand) and finally Ecuador was excluded from the agreement.

The following table summarizes the total consideration, the fair values of the assets and liabilities identified at the time of acquisition and the goodwill generated, in thousands of euros:

Price of acquisition	14,392
Property, plant and equipment	522
Intangible assets	2,299
Other non-current assets	1,136
Inventories	5,034
Trade and other receivables	14,031
Current financial assets	183
Cash and cash equivalents	1,647
Trade payables	(10,926)
Financial liabilities	(818)
Fair value of net assets	13,108
Goodwill (see note 6)	1,284

Norma has been included in the consolidation perimeter using the fully consolidation method since September 2016. Its contribution from now until December 31, 2016 was EUR 4,927 thousand to the Group's operating income and of EUR 4,748 thousand of losses to the profit from operations for the year.

The consolidated results of the companies of Norma Group during the full 2016 financial year amounted to EUR 29,736 thousand in operating income and EUR 3,954 thousand in losses in the Group's profit from operations.

At the date of authorized of these consolidated financial statements, the purchase price allocation process is provisional. It is estimated that this analysis will end in the coming months, not exceeding the maximum term of twelve months from the date of acquisition

Also, in September 2016, Radio Regional de Lisboa- Emissões de Radiodifusão, Unipessoal, Lda. acquired 100% of share capital of R.C.-Empresa de Radiodifusão, S.A.

In October 2016 Telecomunicaciones Antequera, S.A.U., a 100% owned by Málaga Altavisión, S.A., was liquidated.

Also, in October 2016, Media Capital Produções- Investimentos SGPS, S.A. merged with Média Capital Produções, S.A. (MCP)

In November 2016, Liberty Acquisition Holdings Virginia, Inc and Prisa Finance (Netherlands) B.V., a 100% owned by Prisa were liquidated.

In December 2016, Sociedad Española de Radiodifusión, S.L. acquired 100% of share capital of Sociedad de Estudios de Radio y Televisión, S.A.



Also in December 2016, Gran Vía Musical de Ediciones, S.L. sold its stake in RLM, S.A. (50.50%). Additionally GLR Services, Inc., incorporated GLR Networks, LLC and GLR Broadcasting LLC. In addition Cadena Hispanoamericana de Radio, S.A., 48.15% owned by Caracol, S.A., 46.79% owned by Caracol Estéreo, S.A. and 5.06% owned by Promotora de Publicidad Radial, S.A. was liquidated.

Associates

In April 2016, Cadena Radiópolis, S.A. de C.V. was created, 99.90% owned by Sistema Radiópolis, S.A. de C.V. and 0.10% by Cadena Radiodifusora Mexicana, S.A. de C.V.

In June 2016, Promotora de Emisoras de Televisión, S.A. sold 49.0% of its holding in the capital of Riotedisa, S.A.

Also, in July 2016 Plural Entertainment Brasil Produção de Video, Ltda, a 49.0% owned by Media Capital Producoes- Investimentos, SGPS, S.A. was liquidated.

Significant operations

DTS-

In the first half of 2016, the two pending adjustments in relation to the final price of the sale of shares of DTS have been resolved in favor of Prisa, which has supposed a cash inflow of EUR 7,170 thousand in February 2016 and EUR 29,173 thousand in May. Following the positive resolutions of these adjustments, the final price of the sale of DTS has been set at EUR 724,554 thousand.

Grupo Santillana Educación Global S.L.-

In November 2016, Prisa announced that within the strategic review process initiated by the group, different alternatives was being considered, including, among others, an eventual disposal of all or part of the shares in Grupo Santillana Educación Global S.L.

At the date of authorized of these consolidated financial statements, the Directors of the Company have not made any decision. Therefore, the Education business is not presented in the accompanying consolidated financial statements as a held-for-sale asset and a discontinued operation because the conditions required by IFRS 5 are not met.

When comparing the information for 2016 and 2015, these changes, the effect of which is presented separately in these notes to the consolidated financial statements in the "*Changes in the consolidation scope*" column, should be taken into account.

(4) ACCOUNTING POLICIES

The principal accounting policies used in preparing the accompanying consolidated financial statements for 2016 and comparative information were as follows:

a) Presentation of the consolidated financial statements

In accordance with IAS 1, the Group opted to present the assets in its consolidated balance sheet on the basis of a current/non-current assets distinction. Also, income and expenses are presented in the consolidated income statement according to the nature of the related item. The statement of cash flows was prepared using the indirect method.

b) Property, plant, and equipment

Property, plant and equipment are carried at cost, net of the related accumulated depreciation and of any impairment losses.

Property, plant and equipment acquired prior to December 31, 1983, are carried at cost, revalued pursuant to applicable legislation. Subsequent additions are stated at cost, revalued pursuant to Royal Decree-Law 7/1996 in the case of Agrupación de Servicios de Internet y Prensa, S.L., Pressprint, S.L.U. and Sociedad Española de Radiodifusión, S.L.

The costs of expansion, modernization or improvements leading to increased productivity, capacity or efficiency or to a lengthening of the useful lives of the assets are capitalized.

Period upkeep and maintenance expenses are charged directly to the consolidated income statement.

Property, plant and equipment are depreciated by the straight-line method at annual rates based on the years of estimated useful life of the related assets, the detail being as follows:

	Years of estimated useful life
Buildings and structures	10 - 50
Plant and machinery	5 - 10
Other items of property, plant and equipment	4 - 10

The gain or loss arising on the disposal or derecognition of an asset is determined as the difference between the selling price and the carrying amount of the asset and is recognized in the consolidated income statement.

c) Finance leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Items of property, plant and equipment held under finance lease are recognized in the balance sheet according to the nature of the leased asset. A liability is recognized simultaneously for the same amount, which is the lower of the fair value of the leased asset or the sum of the present values of the lease payables and, where appropriate, the price of any purchase option, provided that there are no reasonable doubts for its exercise.

The finance charge on these leases is allocated to the income statement so as to produce a constant periodic rate of interest over the lease term.

Assets held under finance leases are depreciated over the same estimated useful life as owned assets.

d) Goodwill

Any excess of the cost of the investments in the consolidated companies over the corresponding underlying carrying amounts at the date of acquisition or at the date of first time consolidation, provided that the acquisition is not after control is obtained, is allocated as follows:

- If it is attributable to specific assets and liabilities of the companies acquired, by increasing the value of the assets whose market values were higher than the carrying amounts at which they had been recognized in their balance sheets and whose accounting treatment was similar to that of the same assets of the Group.
- If it is attributable to non-contingent liabilities, by recognizing it in the consolidated balance sheet if it is probable that the outflow of resources to settle the obligation embody economic benefits and the fair value can be measured reliably.
- If it is attributable to specific intangible assets, by recognizing it explicitly in the consolidated balance sheet provided that the fair value at the date of acquisition can be measured reliably.
- The remaining amount is recognized as goodwill.

Changes in ownership interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. Once control is obtained, additional investments in subsidiaries and decreases in ownership interest without the loss of control do not affect the amount of goodwill. When a parent loses control of a subsidiary, it derecognizes the carrying amount of assets (including any goodwill) and liabilities and the share of non-controlling interests, recognizing the fair value of the consideration received and any residual ownership in the subsidiary. The remaining difference is taken to profit or loss in the income statement for the year.

The assets and liabilities acquired are measured provisionally at the acquisition date, and the provisional amounts are reviewed within a period of a year from the acquisition date. Therefore, until the definitive fair value of the assets and liabilities has been established, the difference between the acquisition cost and the carrying amount of the company acquired is provisionally recognized as goodwill.

Goodwill is considered to be an asset of the company acquired and, therefore, in the case of a subsidiary with a functional currency other than the euro, it is valued in that subsidiary's functional currency and is translated to euros using the exchange rate prevailing at the balance sheet date.

Goodwill acquired on or after January 1, 2004 is measured at acquisition cost and that acquired earlier is recognized at the carrying amount at December 31, 2003, in accordance with Spanish GAAP. In both cases, since January 1, 2004, goodwill has not been amortized

and at the end of each reporting period goodwill is reviewed for impairment (i.e. a reduction in its recoverable amount to below its carrying amount) and any impairment loss is recognized (*see note 4f*).

e) Intangible assets

The main items included under "*Intangible assets*" and the measurement bases used were as follows:

Computer software-

"*Computer software*" includes the amounts paid to develop specific computer programs or the amounts incurred in acquiring from third parties the licenses to use programs. Computer software is amortized, depending on the type of program or development during the period in which contribute to the generation of profits.

Prototypes-

This account includes basically prototypes for the publication of books, which are measured at the costs incurred in materials and work performed by third parties to obtain the physical medium required for industrial mass reproduction. The prototypes are amortized using the straight-line method over three years from the date on which they are launched on the market, in the case of textbooks and languages, atlases, dictionaries encyclopaedias and major works. The cost of the prototypes of books that are not expected to be published is charged to the income statement for the year in which the decision not to publish is taken.

Advances on copyrights-

This account includes the advances to authors, whether or not paid on account of future rights or royalties for the right to use the different forms of intellectual property. These advances are taken to expenses in the income statement from the date on which the book is launched on the market, at the rate established in each contract, which is applied to the book cover price. These items are presented in the balance sheet at cost, less the portion charged to income. This cost is reviewed each year and, where necessary, an allowance is recognized based on the projected sales of the related publication.

Audiovisual rights-

"*Audiovisual rights*" in the accompanying consolidated balance sheet includes the amount paid for the acquisition of allowance of films, series and children's animation and documentaries amount whose programming is expected to take place in a period exceeding twelve months. These rights are depreciated according to the generation of revenues derived from them. They are reported to its expected recoverable.

Other intangible assets-

"*Other intangible assets*" includes basically the amounts paid to acquire administrative concessions for the operation of radio frequencies, which are subject to temporary administrative concessions. These concessions are granted for renewable multi-years periods,

in accordance with regulations of each country, and are amortized using the straight-line method over the term of the arrangement, except in cases where the renewal costs are not significant, in which case they are deemed to be assets with an indefinite useful life.

f) Impairment losses

Annually, at the end of each fiscal year and, when ever, there is evidence of impairment, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets might have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the amount of the impairment loss (if any). In the case of identifiable assets that do not generate cash flows that are largely independent of those from other assets or groups of assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Cash-generating units to which goodwill has been assigned and intangible assets with an indefinite useful life are systematically tested for impairment at the end of each reporting period or when the circumstances so warrant.

Recoverable amount is the higher of fair value less costs to sell and value in use. Value in use is taken to be the present value of the estimated future cash flows to derive from the asset based on most recent budgets approved by management. These budgets include the best estimates available of the income and costs of the cash-generating units based on industry projections and future expectations.

These projections cover the following five years and include a residual value that is appropriate for each business. These cash flows are discounted to their present value at a rate that reflects the weighted average cost of capital employed adjusted by the country risk and business risk corresponding to each cash-generating unit. Therefore, in 2016 the rates used ranged from 7.6% to 17.8% depending on the business being analysed. The range used for the most relevant impairment test (Grupo Media Capital, SGPS, S.A.) is between 9.0% y 9.5%.

If the recoverable amount is lower than the asset's carrying amount, the related impairment loss is recognized in the consolidated income statement for the difference.

In case the goodwill of a company with minority interests was fully recognized in the consolidated financial statements of the parent company, the assignment of the corresponding impairment between the parent company and the minority interests is made in accordance with their participation in the profit and losses of the company, that means in accordance with the participation in the share capital of the company.

Impairment losses recognized on an asset in previous years are reversed when there is a change in the estimate of its recoverable amount by increasing the carrying amount of the asset up to the limit of the carrying amount that would have been determined had no impairment loss been recognized for the asset. The reversal of the impairment loss is recognized immediately as income in the consolidated income statement. An impairment loss recognized for goodwill must not be reversed.

g) Financial instruments

Non-current financial assets-

“*Non-current financial assets*” includes the following categories:

- *Loans and receivables*: this includes financial assets originating from the sale of goods or from the provision of services during the company's traffic operations or those that, not having any commercial substance, are not equity instruments or derivatives and have fixed or determinable payments and are not traded in an active market. These assets are recognized at amortized cost, i.e. cash delivered less principal repayments, plus accrued interest receivable, in the case of loans, and the present value of the related consideration in the case of receivables. The Group records the related allowance for the difference between the recoverable amount of the receivables and their carrying amount.
- *Held-to-maturity investments*: financial assets with fixed or determinable payments and established maturities for which the Group has the intention and ability to hold to maturity. They are carried at amortized cost.
- *Available-for-sale financial assets*: this category includes the remaining assets not included in the two categories above. These are almost entirely equity investments. These assets are carried on the consolidated balance sheet at fair value when this can be measured reliably, recorded in equity resulting from changes in fair value, until the sale or impairment of the asset (on a stable or permanent basis), at which time the cumulative results previously recognized in equity is included in the income statement. In this sense, impairment is assumed if the share price of the asset suffers a decline of more than 40% or if it declines for a long time with no recovery of its value.

If the market value of investments in unlisted companies cannot be determined reliably, which is generally the case, these investments are measured at acquisition cost or at a lower amount if there is any indication of impairment.

Cash and cash equivalents-

“*Cash and cash equivalents*” in the consolidated balance sheet includes cash on hand and at banks, demand deposits and other short-term highly liquid investments that are readily convertible into cash and are not subject to a risk of changes in value.

Financial liabilities-

1. Financial liabilities

Loans, bonds and other similar liabilities are carried at the amount received, net of transaction costs. Interest expenses, including premiums payable on settlement or redemption and transaction costs, are recognized in the consolidated income statement on an accrual basis using the effective interest method. The amount accrued and not paid is added to the carrying amount of the instrument if settlement is not made in the accrual period.

Accounts payable are recognized initially at market value and are subsequently measured at amortized cost using the effective interest method.

2. Compound financial instruments

Compound financial instruments are non-derivative instruments that have both a liability and an equity component.

The Group recognizes, measures and presents separately the liability and equity components created by a single financial instrument.

The Group distributes the value of its instruments in accordance with the following criteria which, barring error, will not be subsequently reviewed.

- a. The liability component is recognized by measuring the fair value of a similar liability that does not have an associated equity component.
- b. The equity component is measured at the difference between the initial amount and the amount assigned to the liability component.
- c. The transaction costs are distributed in the same proportion.

Equity instruments-

An equity instrument is a contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

The bonds issue, mandatorily convertible into shares, approved by the Shareholders' General Meeting of Prisa on April 1, 2016 has been registered as an equity instrument as it is mandatory convertible into a fixed number of shares and don't included no contractual obligation to deliver cash or another financial asset. The fair value of equity instruments to be issued has been registered as an increase in equity in the line "*Other reserves*".

Derivative financial instruments and hedge accounting-

The Group is exposed to fluctuations in the exchange rates of the various countries in which it operates. In order to mitigate this risk, foreign currency hedges are used, on the basis of its projections and budgets, when the market outlook so requires.

Similarly, the Group is exposed to foreign currency risk as a result of potential fluctuations in the various currencies in which its bank borrowings and debts to third parties are denominated. Accordingly, it uses hedging instruments for transactions of this nature when they are material and the market outlook so requires.

The Group is also exposed to interest rate risk since all of its bank borrowings bear interest at floating rates. In this regard, the Group arranges interest rate hedges, basically through contracts providing for interest rate caps.

Pursuant to IFRSs, changes in the value of these financial instruments are recognized as finance income or finance costs, since by their nature they do not qualify for hedge accounting under IFRSs.

For instruments settled at a variable amount of shares or in cash, the Company recognizes a derivative financial liability when measuring these financial instruments using the Black - Scholes model.

h) Investments accounted for using the equity method

As discussed in *note 2d*, investments in companies over which the Group has significant influence or joint control are accounted for using the equity method. The goodwill arising on the acquisition of these companies is also included under this heading.

Investments in companies accounted for using the equity method whose carrying amount is negative at the end of the reporting period are recognized under "*Long-term provisions*" (see *notes 8 and 12*) at their negative excluding the financial effect given the nature of the investments.

i) Inventories

Inventories of raw materials and supplies and inventories of commercial products or finished goods purchased from third parties are measured at the lower of their average acquisition cost and market value.

Work in progress and finished goods produced in-house are measured at the lower of average production cost and market value. Production cost includes the cost of materials used, labor and in-house and third-party direct and indirect manufacturing expenses.

In the heading of inventories include the "*Audiovisual Rights*", which relate mainly to allowances of movies, series and other television programs acquired from third parties, as well as, the cost incurred in the program production, which are valued at cost of acquisition or production and are charged to results in accordance with expectations of income generation thereof.

The Group also recognises expenditure for the cost of inventories the broadcasting rights of which have expired or the recovery value of which is considerably lower than the acquisition cost.

Obsolete, defective or slow-moving inventories are reduced to their realizable value.

The Group assesses the net realizable value of the inventories at the period end and recognizes the appropriate write-down if the inventories are overstated. When the circumstances that previously caused inventories to be written down no longer exist or when there is clear evidence of an increase in net realizable value because of changed economic circumstances, the amount of the write-down is reversed.

j) Long-term provisions

Present obligations at the consolidated balance sheet date arising from past events which could give rise to a loss for the Group, which is uncertain as to its amount and timing, are recognized in the consolidated balance sheet as provisions at the present value of the most probable amount that it is considered the Group will have to pay to settle the obligation.

Provisions for taxes-

The provisions for taxes relate to the estimated amount of the tax debts whose exact amount or date of payment has not yet been determined, since they depend on the fulfilment of certain conditions.

Provisions for indemnities and third-party liability-

“*Provisions for third-party liability*” also includes the estimated amount required to cover probable claims arising from obligations assumed by the companies in the course of their commercial operations, and probable or certain liabilities arising from litigation in progress, compensation to workers who are estimated terminate their labor relations or other outstanding obligations of undetermined amount, as in the case of collateral and other similar guarantees provided by the Group.

k) Recognition of income and expenses

Revenue and expenses are recognized on an accrual basis, regardless of when the resulting monetary or financial flow arises.

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for the goods and services provided in the normal course of business, net of discounts, and other sales-related taxes.

The accounting policies applied to recognize the revenue of the Group’s main businesses are as follows:

- *Advertising revenue* is recognized when the advertisement appears in the media, less the amount of volume rebates offered to the media agencies.
- *Revenue from book sales* is recognized on the effective delivery thereof. Where the sales of the copies are subject to sales returns, the actual sales returns are deducted from the revenue recognized. Also, the amounts corresponding to rebates or trade discounts are deducted from revenue.
- *Revenue from the sale of newspapers and magazines* is recognized on the effective delivery thereof, net of the related estimated provision for sales returns. Also, the amounts relating to distributors’ fees are deducted from revenue.
- The *revenue* and the costs associated with *audiovisual production* agreements are recognized in the income statement by reference to the stage of completion at the balance sheet date, using the percentage of completion method. When the final

outcome of the agreement cannot be estimated reliably, the revenue must only be recognized to the extent that it is probable that the costs incurred will be recovered, whereas the costs are recognized as an expense for the year in which they are incurred. In any case, the expected future losses would be recognized immediately in the income statement.

- *Revenue related to intermediation services* is recognized at the amount of the fees received when the goods or services under the transaction are supplied.
- *Other services*: this item includes music sales, organization and management of events, e-commerce and internet services.

l) Offsetting

Assets and liabilities are offset and the net amount presented in the consolidated balance sheet when, and only when, they arise from transactions in which the Group has a contractual or legally enforceable right to set off the recognized amounts and its intends to settle them on a net basis, or to realize the asset and settle the liability simultaneously.

m) Tax matters

The expense or income due to tax on the year's earnings, is calculated by adding the current tax expense and the deferred tax expense. The current tax expense is determined by applying the applicable tax rate to the taxable income, and deducting from that result the amount of allowances and deductions generated and applied during the year, determining the payment obligation to the Public Administration.

The assets and liabilities due to deferred taxes, arise from temporary differences defined as the amounts expected to be payable or recoverable in the future which result from the difference between the book value of assets and liabilities and their tax base, as well as non-deductible expenses that acquire deductibility at a later time. These amounts are recorded applying the tax rate at which they are expected to be recovered or settled to the temporary difference.

Deferred tax assets also arise as a result of carry forward losses and credits due to tax deductions generated and not applied and non-deductible financial expenses.

The corresponding liability due to deferred taxes is recognised for all taxable temporary differences, unless the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that at the time of its completion, affects neither the accounting nor the tax profit/loss.

Meanwhile, deferred tax assets, identified using deductible temporary differences, are only recognised if it is deemed likely that the consolidated companies will have sufficient future taxable profits against which to use them and they do not arise from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects the tax profit/loss or the accounting profit/loss. The remaining deferred tax assets

(losses and carry forward deductions) are only recognised if it is deemed likely that the consolidated companies will have sufficient future taxable profits against which to use them.

At each accounting period end, recorded deferred taxes (assets and liabilities) are reviewed in order to check whether they are still applicable, making the appropriate adjustments, in accordance with the results of the analyses performed and the applicable tax rate at all times.

As a result of the modification of the Corporation Tax rate, approved by Act 27/2014, of 27 November on Corporation Tax, which reduces it to 28 % for the year 2015 and to 25% for 2016 and beyond, the companies which form the Prisa Group, have proceeded to recognize deferred tax assets and liabilities on their balance sheets at the tax rate at which they are expected to be recovered or cancelled.

Royal Decree-Law 3/2016, of 2 December, modified the transitional provision sixteenth (DT 16) of Law 27/2014, of November 27, on Corporate Income Tax, a provision that establishes the transitional regime applicable to the fiscal reversion of losses for impairment generated in periods before January 1, 2013. Under the new regulations, with effect for tax periods beginning on or after January 1, 2016, the reversal of said losses shall comprise at least equal parts in the tax base corresponding to each of the first five tax periods commencing from that date.

To the extent in which the values of the Group affected by this rule have no impediment, in practice, in order to be able to be transmitted before the end of the period of five years, as there are no very severe restrictions on their transferability, whether legal, contractual or of other types, these fiscal adjustments have been considered as permanent differences in the Group and, consequently, one fifth of the corresponding Corporate Tax expense has been recognized as payable as a tax liability to the Treasury.

n) Loss after tax from discontinued operations

A discontinued operation is a line of business that the Group has decided to abandon and/or sell and whose assets, liabilities and net profit or loss can be distinguished physically, operationally and for financial reporting purposes.

The income and expenses of the discontinued operations are presented separately in the consolidated income statement under "*Loss after tax from discontinued operations*".

o) Assets and liabilities classified as held for sale

Assets classified as held for sale are considered to be groups of assets directly associated with them, to be disposed of together as a group in a single transaction, on which it is estimate that its realization is highly likely within twelve months from the date of their classification under this heading.

Assets classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

Liabilities classified as held for sale are registered at their expected redemption value.

p) Share-based payments

The Group recognizes, on the one hand, goods and services received as an asset or as an expenditure, taking into account its nature at the time it is obtained and, on the other hand, the corresponding increase in equity if the transaction is settled with equity instruments, or the corresponding liabilities if the transaction is settled with an amount based on the value of equity instruments.

In the case of transactions settled with equity instruments, both the services provided and increases in equity are valued at the fair value of the equity realized, as of the date of the agreement to realize it. Conversely, in case of settlement with cash, goods and services received and the corresponding liabilities are recognized at the fair value of the latter as of the date on which the requirements for their recognition are met.

q) Foreign currency transactions

Foreign currency transactions are translated to euros (the Group's functional currency) at the exchange rates ruling at the transaction date. During the year, differences arising between the result of applying the exchange rates initially used and that of using the exchange rates prevailing at the date of collection or payment are recognized as finance income or finance costs in the consolidated income statement.

r) Current/non-current classification

Debts are recognized at their effective amount and debts due to be settled within twelve months from the balance sheet date are classified as current items and those due to be settled within more than twelve months as non-current items.

s) Consolidated statements of cash flows

The following terms are used in the consolidated statements of cash flows with the meanings specified:

- Changes in cash flows in the year: inflows and outflows of cash and cash equivalents, which are short-term, highly -liquid investments that are subject to an insignificant risk of changes in value.
- Operating activities: the principal revenue-producing activities of the Group and other activities that are not investing or financing activities.
- Investing activities: the acquisition and disposal of long-term assets and other investments not included in cash and in cash equivalents. For transactions between the parent and non-controlling interests, these only include those representing a change of control.
- Financing activities: activities that result in changes in the size and composition of equity and borrowings, as well as transactions between the parent and non-controlling interests which do not represent a change of control.

t) Environmental impact

In view of the printing activities carried on by certain consolidated Group companies and in accordance with current legislation, these companies control the degree of pollution caused by waste and emissions, and have an adequate waste disposal policy in place. The expenses incurred in this connection, which are not significant, are expensed currently.

The evaluation carried out indicates that the Group does not have any environmental liability, expenses, assets, provisions or contingencies that might be material with respect to its equity, financial position or results.

5) PROPERTY, PLANT, AND EQUIPMENT
2016-

The changes in 2016 in “*Property, plant and equipment*” in the consolidated balance sheet were as follows:

	Thousands of euros							Balance at 12/31/2016
	Balance at 12/31/2015	Monetary adjustment	Translation adjustment	Changes in scope of consolidation	Additions	Disposals	Transfers	
Cost:								
Land and buildings	88,453	1,026	507	478	1,508	(5,263)	90	86,799
Plant and machinery	367,806	491	3,237	255	7,236	(21,473)	1,744	359,296
Other items of property, plant and equipment	126,093	1,185	6,758	728	13,495	(21,068)	440	127,631
Advances and equipment in the course	1,844	-	10	-	891	(6)	(2,306)	433
Total cost	584,196	2,702	10,512	1,461	23,130	(47,810)	(32)	574,159
Accumulated depreciation:								
Buildings	(27,297)	(397)	55	(506)	(1,625)	2,327	89	(27,354)
Plant and machinery	(303,849)	(397)	(2,774)	84	(12,448)	20,993	(82)	(298,473)
Other items of property, plant and equipment	(95,878)	(712)	(5,497)	(611)	(17,059)	21,030	200	(98,527)
Total accumulated depreciation	(427,024)	(1,506)	(8,216)	(1,033)	(31,132)	44,350	207	(424,354)
Impairment losses:								
Buildings	(12,240)	-	-	-	(38)	1,800	-	(10,478)
Plant and machinery	(16,525)	-	-	-	(11)	244	(380)	(16,672)
Other items of property, plant and equipment	(541)	-	(35)	(22)	(10)	2	341	(265)
Total impairment losses	(29,306)	-	(35)	(22)	(59)	2,046	(39)	(27,415)
Net property, plant and equipment	127,866	1,196	2,261	406	(8,061)	(1,414)	136	122,390

2015-

The changes in 2015 in “*Property, plant and equipment*” in the consolidated balance sheet were as follows:

	Thousands of euros							Balance at 12/31/2015
	Balance at 12/31/2014	Monetary adjustment	Translation adjustment	Changes in scope of consolidation	Additions	Disposals	Transfers	
Cost:								
Land and buildings	98,947	54	(6,059)	-	791	(4,588)	(692)	88,453
Plant and machinery	374,141	37	(7,475)	269	4,603	(5,248)	1,479	367,806
Other items of property, plant and equipment	129,802	(796)	(12,270)	239	19,054	(10,124)	188	126,093
Advances and equipment in the course	1,236	-	(90)	22	3,210	(47)	(2,487)	1,844
Total cost	604,126	(705)	(25,894)	530	27,658	(20,007)	(1,512)	584,196
Accumulated depreciation:								
Buildings	(34,573)	(69)	2,330	73	(429)	4,011	1,360	(27,297)
Plant and machinery	(302,027)	(45)	6,164	(30)	(13,234)	4,859	464	(303,849)
Other items of property, plant and equipment	(95,285)	323	9,054	(317)	(19,145)	8,966	526	(95,878)
Total accumulated depreciation	(431,885)	209	17,548	(274)	(32,808)	17,836	2,350	(427,024)
Impairment losses:								
Buildings	(12,266)	-	-	-	-	26	-	(12,240)
Plant and machinery	(16,174)	-	-	-	(38)	239	(552)	(16,525)
Other items of property, plant and equipment	(1,117)	-	22	-	(118)	119	553	(541)
Total impairment losses	(29,557)	-	22	-	(156)	384	1	(29,306)
Net property, plant and equipment	142,684	(496)	(8,324)	256	(5,306)	(1,787)	839	127,866

Additions-

The most significant additions in 2016 were as follows:

- “*Plant and machinery,*” in the amount of EUR 7,236 thousand (EUR 4,603 thousand in 2015), mainly due to investments made by Grupo Media Capital, SGPS, S.A. For the acquisition of audiovisual equipment, by group Prisa Radio for the investments made in technical equipment in Colombia, Chile and Spain and by Prisa Noticias for the remodeling of the El País editorial staff.
- “*Other items of property, plant and equipment,*” in the amount of EUR 13,495 thousand (EUR 19,054 thousand in 2015), mainly due to the acquisition of technological equipment in Santillana for use in the classroom by students and teachers integrated into teaching systems.

The heading “*Monetary adjustment*” includes the effect of hyperinflation in Venezuela. Furthermore, the column “*Translation adjustment*” includes the impact of exchange rates variation in Latin America, highlighting the contribution in 2016 of Brazil and Colombia.

Disposals-

In 2016, fully depreciated plant and machinery have been derecognized mainly in the companies of group Prisa Radio. "Other items of property, plant and equipment" mainly include derecognition of fully depreciated assets linked to digital developments and Santillana's learning systems.

In 2015, Grupo Media Capital, SGPS, S.A. sold the studios located in Vialonga, as a consequence of its sale, amounting to EUR 4,361 thousand.

Transfers-

There were no significant transfers in 2016 and 2015.

There are no restrictions on holding title to the property, plant, and equipment other than those indicated in *note 11*.

There are no future property, plant, and equipment purchase commitments.

At December 31, 2016, the Prisa Group's assets included fully amortized property, plant, and equipment amounting to EUR 276,295 thousand (December 31, 2015: EUR 268,748 thousand).

Non-current assets held under leases-

At December 31, 2016, the consolidated balance sheet included assets held under finance leases amounting to EUR 11,993 thousand (December 31, 2015: EUR 18,753 thousand).

The breakdown of the carrying amounts of non-current assets held under finance leases by nature of the leased asset at December 31, 2016 and 2015 is as follows (in thousands of euros) is as follows:

	12/31/2016			12/31/2015		
	Cost	Accumulated depreciation	Carrying amount	Cost	Accumulated depreciation	Carrying amount
Plant and machinery	2,520	(1,882)	638	7,412	(7,240)	172
Educational digital equipment	35,898	(24,784)	11,114	35,615	(17,270)	18,345
Other items of property, plant and equipment	398	(157)	241	1,143	(907)	236
Total	38,816	(26,823)	11,993	44,170	(25,417)	18,753

The breakdown of the value of the purchase option, the amount of payments made in the year and the nominal value of outstanding payments in 2016 is as follows:

	Value of purchase option	Amount of payments made in the year	Nominal value of outstanding payments			
			Total	Less than 1 year	Between 1 and 5 years	More than 5 years
Plant and machinery	35	493	828	292	536	-
Educational digital equipment	-	8,966	18,181	9,135	9,046	-
Other items of property, plant and equipment	-	21	236	48	168	20
Total	35	9,480	19,245	9,475	9,750	20

As of December 31, 2015, the detail is as follows, in thousands of euros:

	Value of purchase option	Amount of payments made in the year	Nominal value of outstanding payments			
			Total	Less than 1 year	Between 1 and 5 years	More than 5 years
Plant and machinery	55	676	531	415	116	-
Educational digital equipment	27	7,873	18,345	8,950	9,395	-
Other items of property, plant and equipment	7	278	250	109	101	41
Total	89	8,827	19,126	9,474	9,612	41

The Group companies take out insurance policies to cover the potential risks to which the various items of property, plant, and equipment are exposed. At December 31, 2016 and 2015, the insurance policies taken out sufficiently covered the related risks.

6) GOODWILL

2016-

The detail of the goodwill relating to fully and proportionately consolidated Group companies and of the changes therein in 2016 is as follows:

	Thousands of euros					
	Balance at 12/31/2015	Translation adjustment	Changes in scope of consolidation	Disposals	Impairment	Balance at 12/31/2016
Antena 3 de Radio, S.A.	6,115	-	-	-	-	6,115
Editora Moderna, Ltda.	51,987	12,344	-	-	-	64,331
Grupo Latino de Radiodifusión Chile, Ltda.	53,257	4,965	-	-	-	58,222
Grupo Media Capital, SGPS, S.A.	416,695	-	-	-	-	416,695
Propulsora Montañesa, S.A.	8,608	-	-	-	-	8,608
Sociedad Española de Radiodifusión, S.L.	29,470	-	-	-	-	29,470
Other companies	11,166	54	1,391	(2,500)	(431)	9,680
Total	577,298	17,363	1,391	(2,500)	(431)	593,121

The detail, by business segment, of the goodwill relating to fully consolidated Group companies and of the changes therein in 2016 is as follows:

	Thousands of euros					Balance at 12/31/2016
	Balance at 12/31/2015	Translation adjustment	Changes in scope of consolidation	Disposals	Impairment	
Radio	107,117	4,965	107	(2,500)	(431)	109,258
Education	52,212	12,398	1,284	-	-	65,894
Audiovisual (Media Capital)	416,695	-	-	-	-	416,695
Other	1,274	-	-	-	-	1,274
Total	577,298	17,363	1,391	(2,500)	(431)	593,121

The increase in the Education segment amounting to EUR 1,284 thousand is due to the goodwill arising from the purchase of Norma in September 2016 (*see note 3*).

The disposal in the Radio segment, amounting to EUR 2,500 thousand, is due to the derecognized of the goodwill of RLM, S.A. arising from the sale of the company in December 2016 (*see note 3*).

2015-

The detail of the goodwill relating to fully and proportionately consolidated Group companies and of the changes therein in 2015 is as follows:

	Thousands of euros				
	Balance at 12/31/2014	Translation adjustment	Impairment	Changes in scope of consolidation	Balance at 12/31/2015
Antena 3 de Radio, S.A.	6,115	-	-	-	6,115
Editora Moderna, Ltda.	68,531	(16,544)	-	-	51,987
Grupo Latino de Radiodifusión Chile, Ltda.	55,576	(2,319)	-	-	53,257
Grupo Media Capital, SGPS, S.A.	417,085	-	(390)	-	416,695
Propulsora Montañesa, S.A.	8,608	-	-	-	8,608
Sociedad Española de Radiodifusión, S.L.	29,470	-	-	-	29,470
Other companies	14,573	(72)	-	(3,335)	11,166
Total	599,958	(18,935)	(390)	(3,335)	577,298

The detail, by business segment, of the goodwill relating to fully consolidated Group companies and of the changes therein in 2015 is as follows:

	Thousands of euros				
	Balance at 12/31/2014	Translation adjustment	Impairment	Changes in scope of consolidation	Balance at 12/31/2015
Radio	113,429	(2,319)	-	(3,993)	107,117
Education	68,828	(16,616)	-	-	52,212
Audiovisual (Media Capital)	417,085	-	(390)	-	416,695
Other	616	-	-	658	1,274
Total	599,958	(18,935)	(390)	(3,335)	577,298

Impairment tests

At the end of each reporting period, or whenever there are indications of impairment, the Group tests goodwill for impairment to determine whether it has suffered any permanent loss in value that reduces its recoverable amount to below its carrying amount.

To perform the above mentioned impairment test, the goodwill is allocated to one or more cash-generating units. The recoverable amount of each cash-generating unit is the higher of value in use and the net selling price that would be obtained from the assets associated with the cash-generating unit. In the case of the main cash-generating units to which goodwill has been allocated, their recoverable amount is their value in use.

Value in use was calculated on the basis of the estimated future cash flows based on the business plans most recently elaborated by management. These business plans include the best estimates available of income and costs of the cash-generating units using industry projections and future expectations.

These projections cover the following five years and include a residual value that is appropriate for each business, applying a constant expected growth rate, for the most relevant impairment ranging from 0% to 2.5%. The rate ranging for Media Capital is located on the upper section.

In order to calculate the present value of these flows, they are discounted at a rate that reflects the weighted average cost of capital employed adjusted for the country risk and business risk corresponding to each cash-generating unit. Therefore, in 2016 the rates used ranged from 7.6% to 17.8% depending on the business being analysed. The range used for the impairment tests of Media Capital is between 9.0% y 9.5% (between 9.5% y 10.0% pre-tax).

Media Capital-

Advertising revenues represent the main source of revenues of Media Capital. Therefore, the main variables used by management to determine the value in use of Media Capital's audiovisual business were as follows:

Evolution of the advertising share- management predicts a moderate growth in the advertising share in the future projections of TVI, Media Capital's free-to-air TV channel and the current market leader.

Variations in the advertising market - management has adjusted its projections for the advertising market to the new macroeconomic environment in Portugal, according to internal estimates. In that sense, it has been estimated a recovery of the advertising market while advertising the fifth year projected levels still do not reach levels in 2011.

Results of the impairment tests-

- Media Capital

At December 31, 2015 and 2016, the recoverable value of Media Capital is higher than its book value.

- Other impairment tests

According to the estimates and projections available to the Group's directors, the expected future cash flows attributable to the cash-generating units or groups of cash-generating units to which goodwill is allocated indicate that the net value of each goodwill allocated at December 31, 2016, may be recovered.

Sensitivity to changes in key assumptions-

- Media Capital

In order to determine the sensitivity of value in use calculations to changes in the key assumptions, an analysis was carried out on the following changes in the key assumptions. These changes did not imply any impairment on the goodwill allocated:

- Increase of 0.5% in the discount rate.
- Decrease of 0.5% in the expected growth rate from the fifth year.
- Decrease of 1% in the growth of the advertising market in Portugal.

If the discount rate increases by 0.5%, the recoverable amount of Media Capital would exceed the book value by EUR 75 million.

If the growth rate expected after the fifth year decreases by 0.5%, the recoverable amount of Media Capital would exceed the book value by EUR 80.2 million.

In the event that the expected growth of the advertising market in Portugal fell by 1%, the recoverable amount of Media Capital would exceed the book value by EUR 66.4 million.

7) INTANGIBLE ASSETS

2016-

The changes in 2016 in "Intangible assets" in the consolidated balance sheet were as follows:

	Thousands of euros							Balance at 12/31/2016
	Balance at 12/31/2015	Monetary adjustment	Translation adjustment	Changes in scope of consolidation	Additions	Disposals	Transfers	
Cost:								
Computer software	155,169	495	1,355	(92)	11,748	(22,458)	(21)	146,196
Prototypes	191,029	1,643	11,469	1,205	33,599	(8,178)	227	230,994
Advances on copyrights	7,268	1	444	14	1,491	(710)	(29)	8,479
Audiovisual rights	8,549	-	95	-	-	(4,056)	1,000	5,588
Other intangible assets	97,152	123	2,765	1,977	2,135	(3,563)	(463)	100,126
Total cost	459,167	2,262	16,128	3,104	48,973	(38,965)	714	491,383
Accumulated amortization:								
Computer software	(120,875)	(469)	(878)	53	(14,639)	22,388	(184)	(114,604)
Prototypes	(135,401)	(1,498)	(7,359)	(8)	(33,467)	6,685	676	(170,372)
Advances on copyrights	(5,290)	-	(325)	-	(406)	121	51	(5,849)
Audiovisual rights	(4,001)	-	(96)	-	(1,399)	4,056	(2,749)	(4,189)
Other intangible assets	(39,471)	(115)	(1,485)	(1,392)	(2,153)	2,790	946	(40,880)
Total accumulated amortization	(305,038)	(2,082)	(10,143)	(1,347)	(52,064)	36,040	(1,260)	(335,894)
Impairment losses:								
Computer software	(4,249)	-	1	-	(780)	12	-	(5,016)
Prototypes	(702)	-	78	(32)	(330)	-	(831)	(1,817)
Advances on copyrights	(308)	-	(83)	-	(183)	(9)	(416)	(999)
Other intangible assets	(19,819)	20	(499)	(3)	(1,262)	905	3,797	(16,861)
Total impairment losses	(25,078)	20	(503)	(35)	(2,555)	908	2,550	(24,693)
Net intangible assets	129,051	200	5,482	1,722	(5,646)	(2,017)	2,004	130,796

2015-

The changes in 2015 in “Intangible assets” in the consolidated balance sheet were as follows:

	Thousands of euros							Balance at 12/31/2015
	Balance at 12/31/2014	Monetary adjustment	Translation adjustment	Changes in scope of consolidation	Additions	Disposals	Transfers	
Cost:								
Computer software	152,762	(89)	(3,015)	211	10,384	(6,614)	1,530	155,169
Prototypes	221,429	(1,159)	(10,851)	-	36,926	(55,728)	412	191,029
Advances on copyrights	7,820	82	(668)	-	995	(619)	(342)	7,268
Audiovisual rights	5,968	-	(53)	-	-	(64)	2,698	8,549
Other intangible assets	93,651	(45)	241	1,140	4,506	(3,926)	1,585	97,152
Total cost	481,630	(1,211)	(14,346)	1,351	52,811	(66,951)	5,883	459,167
Accumulated amortization:								
Computer software	(107,511)	25	2,355	(196)	(18,348)	4,778	(1,978)	(120,875)
Prototypes	(160,853)	942	5,373	-	(35,053)	54,156	34	(135,401)
Advances on copyrights	(5,950)	5	463	-	(436)	325	303	(5,290)
Audiovisual rights	(3,154)	-	52	-	(899)	-	-	(4,001)
Other intangible assets	(40,597)	12	1,358	(21)	(3,067)	2,819	25	(39,471)
Total accumulated amortization	(318,065)	984	9,601	(217)	(57,803)	62,078	(1,616)	(305,038)
Impairment losses:								
Computer software	(6,179)	-	-	-	495	826	609	(4,249)
Prototypes	(1,584)	-	-	-	-	-	882	(702)
Advances on copyrights	(455)	-	121	-	23	889	(886)	(308)
Other intangible assets	(18,149)	44	(1,495)	-	(2,551)	3,009	(677)	(19,819)
Total impairment losses	(26,367)	44	(1,374)	-	(2,033)	4,724	(72)	(25,078)
Net intangible assets	137,198	(183)	(6,119)	1,134	(7,025)	(149)	4,195	129,051

Additions-

The most significant additions in 2016 were as follows:

- “Prototypes,” amounting to EUR 33,599 thousand (EUR 36,926 thousand in 2015), relating to new prototypes for the publication of books at Grupo Santillana, mainly in Brazil and in Spain by curricular changes in Cataluña and País Vasco.
- “Computer software,” amounting to EUR 11,748 thousand (EUR 10,384 thousand in 2015), relating to the computer software acquired and/or developed by third parties for Group companies, mainly in Santillana, Prisa Noticias and Radio in Spain.

The heading “Monetary adjustment” includes the effect of hyperinflation in Venezuela. Furthermore, the column “Translation adjustment” includes the impact of exchange rates variation in Latin America, highlighting the contribution in 2016 of Brazil and Chile.

Disposals-

Grupo Santillana derecognized, in 2016, EUR 6,685 thousand of fully depreciated prototypes (December 31, 2015: EUR 54,156 thousand).

The Radio business in Spain derecognized fully depreciated computer software for the amount of EUR 21,474 thousand in 2016.

Transfers-

There were no significant transfers in 2016 and 2015.

“Other intangible assets” includes administrative concessions amounting to EUR 47,512 thousand (December 31, 2015: EUR 45,403 thousand), which are considered to be intangible assets with indefinite useful lives because it is highly probable that they will be renewed and the related costs are not material.

At the end of each reporting period, the residual useful life of these concessions is analyzed in order to ensure that it continues to be indefinite; if this is not the case, the concessions are amortized.

At December 31, 2016, the Prisa Group’s assets included fully amortized intangible assets amounting to EUR 178,802 thousand (December 31, 2015: EUR 132,672 thousand).

There are no restrictions on holding title to the intangible assets other than those indicated in *note 11*.

There are no future relevant intangible asset purchase commitments other than those indicated in *note 23*.

8) INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

2016-

The changes in 2016 in “Investments accounted for using the equity method” in the consolidated balance sheet were as follows:

	Thousands of euros						
	Balance at 12/31/2015	Translation adjustment	Changes in scope of consolidation	Share of results / Impairment losses	Transfers	Disposals/ Dividens	Balance at 12/31/2016
Investments accounted for using the equity method:							
Sistema Radiópolis, S.A. de C.V.	39,402	(5,320)	-	4,344	-	(4,861)	33,565
Other companies	3,439	(97)	(249)	(163)	415	(220)	3,125
Total	42,841	(5,417)	(249)	4,181	415	(5,081)	36,690

During 2016, changes in “Investments accounted for using the equity method” in the accompanying consolidated balance sheets, is mainly due to the effect of exchange rate in Sistema Radiópolis, S.A. de C.V.

2015-

The changes in 2015 in “Investments accounted for using the equity method” in the consolidated balance sheet were as follows:

	Thousands of euros					
	Balance at 12/31/2014	Translation adjustment	Share of results / Impairment losses	Transfers	Disposals	Balance at 12/31/2015
Investments accounted for using the equity method:						
Sistema Radiópolis, S.A. de C.V.	42,373	(3,205)	5,994	-	(5,760)	39,402
Other companies	3,712	(366)	(1,839)	2,055	(123)	3,439
Total	46,085	(3,571)	4,155	2,055	(5,883)	42,841

At December 31, 2016 and 2015, the Group had ownership interests in companies accounted for using the equity method, the net negative value of which is recognized under “Long-term provisions” (see note 12).

9) CURRENT ASSETS AND LIABILITIES

a) Inventories

The detail of “Inventories,” in thousands of euros, at December 31, 2016 and 2015, is as follows:

	12/31/2016			12/31/2015		
	Cost	Write-downs	Carrying amount	Cost	Write-downs	Carrying amount
Finished goods	188,979	(34,898)	154,081	155,406	(8,435)	146,971
Work in progress	3,725	-	3,725	219	-	219
Raw materials and other supplies	13,453	(2,580)	10,873	7,822	(1,491)	6,331
Total	206,157	(37,478)	168,679	163,447	(9,926)	153,521

“Finished goods” includes publications amounting to a net EUR 70,133 thousand (2015: EUR 63,737 thousand) and audiovisual rights amounting to a net EUR 83,090 thousand (2015: EUR 82,990 thousand).

“Raw materials and other supplies” includes mainly paper and printing machinery spare parts.

b) Trade and other receivables

The detail of the changes in 2016 and 2015 in "Trade and other receivables- Allowances" is as follows:

Balance at 12/31/2015	Translation adjustment	Changes in scope of consolidation	Charge for the year	Amounts used /Excess	Transfers	Balance at 12/31/2016
67,551	272	1,099	8,590	(20,466)	(327)	56,719

Thousands of euros				
Balance at 12/31/2014	Translation adjustment	Charge for the year	Amounts used /Disposals	Balance at 12/31/2015
67,212	(1,758)	13,005	(10,908)	67,551

The most significant heading included in "Trade and other receivables" is "Trade receivables for sale and services" amounting to EUR 346,975 thousand, net of allowance at December 31, 2016 (EUR 371,743 at December 31, 2015). The details of the aging of this amount is as follows:

	Thousands of euros	
	Balance at 12/31/2016	Balance at 12/31/2015
0-3 months	285,109	339,267
3-6 months	34,666	18,468
6 months - 1 year	22,686	11,491
1 year- 3 years	4,174	2,338
More than 3 years	340	179
Total	346,975	371,743

The most part of receivables with an aging over one year at December 31, 2016 correspond to institutional sales of Education business in Dominican Republic that are expected to be collected in the first months of 2017, according to an agreement with the government of this country. In addition, it is included exchange clients in Radio that have a counterpart creditor.

The most part of receivables with an aging over one year at December 31, 2015 collected at the beginning of 2016.

c) Cash and cash equivalents

The balance of the heading "Cash and cash equivalents" in the accompanying consolidated balance sheet to December 31, 2016 amounts to EUR 246,423 thousand (EUR 319,001 thousand at December 31, 2015). This amount included EUR 35,658 thousand from the capital increase subscribed by International Media Group, S.á.r.l. in December 2015 and approximately EUR

40,000 thousand belong to companies of radio and education business units located in Latin America.

In 2015 this amount included EUR 55,381 thousand from the sale of DTS, as well as the cash inflow of EUR 61,639 thousand resulting from the capital increase subscribed by International Media Group S.a.r.l, net of costs. Approximately EUR 50,000 thousand belong to companies of radio and education business units located in Latin America.

d) Other non-trade payables

The heading "*Other non-trade payables*" of the accompanying consolidated balance sheet at December 31, 2016 amounts to EUR 67,945 thousand (EUR 65,737 thousand at December 31, 2015) and mainly include remuneration payable. Under this heading it is also included current liabilities derived from the agreement signed by Prisa Radio, S.A. with 3i Group plc for the acquisition by Prisa Radio, S.A. of the shares of 3i Group plc in treasury stock (*see note 23*), as well as other debts with suppliers of fixed assets.

e) Other current liabilities

The heading "*Other current liabilities*" of the accompanying consolidated balance sheet at December 31, 2016 amounts to EUR 20,865 thousand (EUR 22,782 thousand at December 31, 2015) and includes accrual accounts, mainly generated in the educational business.

10) EQUITY

a) Share capital

During 2016 the share capital of Prisa has not changed.

Warrants 2013 have not been exercised by its owners. On December 31, 2016, 778,200 warrants were pending of exercise.

On December 31, 2016, the share capital of Prisa amounts to EUR 235,008 thousand and is represented by 78,335,958 ordinary shares with a nominal value of EUR 3.00 each.

Share capital is fully subscribed and paid up.

Notwithstanding the above, Prisa has issued bonds mandatorily convertible into newly-issued common shares of Prisa, in accordance with the terms and conditions approved by the Ordinary Shareholders Meeting and the Board of Directors, both held on April 1, 2016 (*see note 10c*).

On December 31, 2016, the significant shareholders of Prisa, according to information published in the Comisión Nacional del Mercado de Valores ("*CNMV*") and in some cases, information that has been provided by the shareholders to the Company, are the following.

However since some shareholders have not updated in the CNMV the number of voting rights that they hold after the grouping and exchange of shares or reverse split carried out in May 2015, the Company has calculated the estimate number of the voting rights that correspond to such shareholders (Nicolas Berggruen, Banco Santander, S.A, Fundación Bancaria Caixa D'Estalvis I Pensions de Barcelona/ Caixabank, S.A, HSBC Holdings PLC, GHO Networks, S.A. de CV/ Consorcio Transportista Occher, S.A. de C.V. ("Occher"), dividing by 30 the number of old shares they declared (one new share for 30 old shares).

Shareholder's Name	Number of Direct Voting Rights	Number of Indirect Voting Rights	Total % of Voting Rights (1)
AMBER CAPITAL UK LLP (2)	-	15,107,838	19.29
RUCANDIO, S.A. (3)	-	13,729,811	17.53
TELEFONICA, S.A.	10,228,745	-	13.06
INTERNATIONAL MEDIA GROUP, S.A.R.L (4)	6,400,000	-	8.17
GHO NETWORKS, S.A. DE CV (5)	-	6,297,076	8.04
HSBC HOLDINGS PLC	-	5,845,758	7.46
BANCO SANTANDER, S.A. (6)	34,866	3,246,872	4.19
FUNDACION BANCARIA CAIXA D ESTALVIS I PENSIONS DE BARCELONA	-	2,997,879	3.83
NICOLAS BERGGRUEN (7)	6,115	947,433	1.22

The aforementioned indirect shareholding is held as follows:

Indirect Shareholder's Name	Direct Shareholder's Name	Number of Direct Voting Rights
AMBER CAPITAL UK LLP	AMBER ACTIVE INVERSTORS LIMITED	11,841,366
AMBER CAPITAL UK LLP	AMBER GLOBAL OPPORTUNITIES LIMITED	2,770,893
AMBER CAPITAL UK LLP	AMBER SELECT OPPORTUNITIES LIMITED	495,579
RUCANDIO, S.A.	TIMON, S.A.	264,271
RUCANDIO, S.A.	RUCANDIO INVERSIONES, SICAV, S.A.	11,303
RUCANDIO, S.A.	PROMOTORA DE PUBLICACIONES, S.L.	2,574,964
RUCANDIO, S.A.	ASGARD INVERSIONES, SLU	922,069
RUCANDIO, S.A.	OTNAS INVERSIONES, S.L.	3,100,000
RUCANDIO, S.A.	CONTRATO ACCIONISTAS PRISA	6,857,204
GHO NETWORKS, S.A. DE CV	OCCHER	6,297,076
HSBC HOLDINGS PLC	HSBC BANK PLC	5,845,758
BANCO SANTANDER, S.A.	SOCIEDADES GRUPO SANTANDER	3,246,872
FUNDACION BANCARIA CAIXA D ESTALVIS I PENSIONS DE BARCELONA	CAIXABANK, S.A.	2,997,879
NICOLAS BERGGRUEN	BH STORES IV, B.V	947,433

(1) The percentages of voting rights have been calculated on the total voting rights in Prisa at December 31, 2016 (i.e. 78,335,958 rights).

(2) Mr. Joseph Oughourlian, external director representing significant shareholdings, has stated to the Company that: i) the structure of his indirect stake in the share capital of the Company is as declared in the previous tables and ii) he controls Amber Capital UK, LLP,



which acts as investment manager to Amber Active Investors Limited, Amber Global Opportunities Limited and Amber Select Opportunities Limited.

(3) Rucandio indirectly holds the majority of votes in the Prisa Shareholders Agreement signed on April 24, 2014, whose terms were communicated to the CNMV.

Of the 6,297,076 (8.04%) voting rights held by Occher, 6,140,576 (7.84%) are linked to Prisa Shareholders Agreement and are already included in the 6,857,204 indirect voting rights declared by Rucandio through that Shareholders Agreement. Therefore the 17.53% over the total voting rights of the Company, which is indirectly held by Rucandio, includes the 7.84% held by Occher which is bound by the Shareholders' Agreement.

(4) The voting rights held by International Media Group, S.A.R.L have been declared to the CNMV by Shk. Dr. Khalid bin Thani bin Abdullah Al-Thani, external director representing significant shareholdings, as an indirect stake.

International Media Group, S.A.R.L. is 100% owned by International Media Group Limited which in turn is 100% owned by Shk. Dr. Khalid bin Thani bin Abdullah Al-Thani.

(5) As of December 31, 2016, Grupo Herradura Occidente, S.A. de C.V. (Grupo Herradura) appeared on the CNMV's website as declarant and indirect holder of the shares of Consorcio Transportista Occher, S.A. de C.V. (OCCHER).

However, it is noted that, in August 2016, Grupo Herradura has been split into two separate entities, one of which, Gho Networks, S.A. de CV is now the shareholder of Occher, replacing Grupo Herradura.

(6) The holder of the indirect interest of Banco Santander, S.A. is held through the following entities of Grupo Santander: Cántabra de Inversiones, S.A., Cántabro Catalana de Inversiones, S.A., Fomento e Inversiones, S.A., Títulos de Renta Fija, S.A., Carpe Diem Salud, S.L. and Suleyado 2003, S.L.

(7) BH Stores IV, B.V. is a subsidiary of Berggruen Holdings LTD, a 100% subsidiary of Nicolas Berggruen Charitable Trust. The ultimate beneficiary of the shares of BH Stores IV, B.V. is Nicolas Berggruen Charitable Trust. Mr. Nicolás Berggruen is a member of the Board of Directors of Berggruen Holdings.

b) Share premium

The Recast Text of the Capital Companies Act expressly allows use of issue premium to increase capital against reserves. It establishes no specific restriction whatever regarding the availability of the balance of this reserve.

The amount of the issue premium reserve at December 31, 2016 is EUR 1,371,299 thousand (December 31, 2015: EUR 1,371,299 thousand).

c) Issuance of financial instrument

On April 1, 2016 the Shareholders' General Meeting of Prisa approved a bonds issuance, mandatorily convertible into new issue ordinary shares of Prisa, through the conversion of financial debt of the Company. The issuance has been exclusively aimed to certain financial creditors of the Company that have subscribed a total of 10,074,209 bonds through the capitalization of some credits that amount a total of EUR 100,742 thousand. The issue of the bonds has been subscribed in April and it is divided in two tranches (*see note 11b*):

- Tranche A: amounting to EUR 32,112 thousand subscribed by HSBC Bank Plc., Caixabank, S.A. and several companies of Grupo Santander through the exchange of the total subordinated debt arising from capitalized interest associated with the bond issuance made in 2012.
- Tranche B: amounting to EUR 68,630 thousand subscribed by HSBC of part of the profit participative loans.

The maturity date of the bonds is April 7, 2018, without prejudice to the right of early conversion in certain circumstances as described in the resolution approving the issuance. The bonds have a unit conversion price of 10 euros per share and will accrue an annual coupon payable in new shares of the company at the conversion date. At December 31, 2016, the accrued annual coupon amounted to EUR 1,950 thousand, payable at the time of conversion.

The issuance of the bond has been registered as an equity instrument as it is mandatory convertible into a fixed number of shares and don't included no contractual obligation to deliver cash or another financial asset. At June 30, 2016, registered an increase in equity of EUR 100,742 thousand in the line "*Other equity instruments*" as a result of valuating the transaction at the fair value of the equity instruments to be issued.

d) Reserves of parent company*Revaluation reserve 1983-*

Pursuant to the legislation on the revaluation of property, plant and equipment and intangible assets published in 1983, the cost and accumulated depreciation and amortization of these assets were increased by a net amount of EUR 3,289 thousand, recognized under "*Revaluation Reserve 1983.*" This reserve is unrestricted.

Revaluation reserve Royal Decree-Law 7/1996-

Under Royal Decree 2607/1996, of December 20, approving the regulations for asset revaluations pursuant to Royal Decree-Law 7/1996, of June 7, the surpluses arising from the revaluations must be charged to "Revaluation reserve Royal Decree-Law 7/1996." The balance of this account at year end amounts to EUR 10,650 thousand and has been unrestricted since January 1, 2007, except for the portion of the assets not yet depreciated.

Legal reserve-

Under the Consolidated Text of the Corporate Enterprises Act, 10% of net profit for each year must be transferred to the legal reserve until the balance of this reserve reaches at least 20% of the share capital.

The legal reserve can be used to increase capital by the amount exceeding 10% of the new capital after the increase.

Except as indicated above, until the legal reserve exceeds 20% of share capital, it can only be used to offset losses, provided that sufficient other reserves are not available for this purpose.

The balance of this account at December 31, 2016 amounts to EUR 5,335 thousand.

Reserve for treasury shares-

Under Article 142 of the Consolidated Text of the Corporate Enterprises Act states that when a company acquires treasury shares, it must record on the liability side of the balance sheet a restricted reserve equal to the carrying amount of the treasury shares. This reserve must be maintained until the shares are sold or cancelled.

The balance of this account at December 31, 2016 amounts to EUR 1,735 thousand.

Bylaw-stipulated reserves-

Under Article 32 of the Parent's bylaws, at least 10% of the profit after tax must be transferred to a reserve each year until the balance of this reserve reaches at least 20% and does not exceed 50% of the paid-in share capital.

The balance of this account at December 31, 2016 amounts to EUR 11,885 thousand.

e) Reserves for first-time application of IFRS

As a result of the first-time application of IFRSs to the Group's consolidated financial statements, certain assets and liabilities arose at January 1, 2004, the effect on equity of which is included in this account.

f) Accumulated profit - From prior years

These reserves include the results not distributed by the companies that form part of the consolidated group, minus the dividend charged to the year's income.

g) Treasury shares

The changes in “*Treasury shares*” in 2016 and 2015 were as follows:

	Thousands of euros			
	2016		2015	
	Number of shares	Amount	Number of shares	Amount
At beginning of year	457,037	2,386	402,556	3,116
Purchases	-	-	422,457	2,485
Deliveries	(126,630)	(777)	(367,976)	(2,977)
Reserve for treasury shares	-	126	-	(238)
At end of year	330,407	1,735	457,037	2,386

At December 31, 2016, Promotora de Informaciones, S.A. held a total of 330,407 treasury shares, representing 0.422% of its share capital.

Treasury shares are valued at market price at December 31, 2016 (5.250 euros per share).

The total amount of the treasury shares amounts to EUR 1,735 thousand.

Deliveries of shares are detailed in note 14 of this Consolidated Annual Report.

At December 31, 2016, the Company did not hold any shares on loan.

h) Exchange differences

Exchange loss at December 31, 2016, amounted to EUR 809 thousand (December 31, 2015: exchange loss of EUR 37,662 thousand). In 2016, the most significant exchange differences are generated in Colombia, Brazil, Mexico, Argentina and USA by the evolution of exchange rates.

i) Translation differences in accumulated profit from prior years

The detail, by company, of the translation differences in 2016 and 2015 is as follows:

	Thousands of euros	
	12/31/2016	12/31/2015
Grupo Santillana Educación Global, S.L. and subsidiaries	(8,558)	(13,671)
Sistema Radiópolis, S.A. de C.V.	(4,970)	(1,933)
Other	(1,362)	3,868
Total	(14,890)	(11,736)

j) Minority interest

The minority interest is the stake in the equity and income of the Group companies that are fully consolidated. The changes in this line-item in 2016 and 2015 were as follows:

	Thousands of euros				
	Balance at 12/31/2015	Participation in results	Dividends paid/received	Other	Balance at 12/31/2016
Caracol, S.A.	13,947	2,574	(4,246)	1,474	13,749
Diario As, S.L.	11,628	977	(473)	(484)	11,648
GLR Chile, Ltda.	17,130	1,064	(2,020)	1,559	17,733
Grupo Santillana Educación Global, S.L. and subsidiaries	(3,261)	23,447	(23,077)	18,410	15,519
Grupo Media Capital, SGPS, S.A. and subsidiaries	7,741	1,014	(853)	(7)	7,895
Prisa Radio, S.A. and subsidiaries (Spain)	13,247	1,561	1,708	(767)	15,749
Other companies	6,504	(435)	(942)	1,660	6,787
Total	66,936	30,202	(29,903)	21,845	89,080

	Thousands of euros					
	Balance at 12/31/2014	Participation in results	Changes in scope of consolidation	Dividends paid/received	Other	Balance at 12/31/2015
Caracol, S.A.	14,724	7,183	-	(5,318)	(2,642)	13,947
Diario As, S.L.	11,016	1,153	-	(485)	(56)	11,628
DTS, Distribuidora de Televisión Digital, S.A.	(218,147)	-	218,147	-	-	-
GLR Chile, Ltda.	16,573	1,304	-	-	(747)	17,130
Grupo Santillana Educación Global, S.L. and subsidiaries	8,354	23,212	(13)	(23,197)	(11,617)	(3,261)
Grupo Media Capital, SGPS, S.A. and subsidiaries	7,680	919	-	(840)	(18)	7,741
Prisa Radio, S.A. and subsidiaries (Spain)	10,116	892	20	2,189	30	13,247
Other companies	8,347	(1,140)	161	(535)	(329)	6,504
Total	(141,337)	33,523	218,315	(28,186)	(15,379)	66,936

k) Capital management policy

The principal objective of the Group's capital management policy is to achieve an appropriate capital structure that guarantees the sustainability of its business, aligning shareholder interests with those of its various financial creditors.

During recent financial years, considerable efforts have been made to maintain the level of the Group's equity, such as increasing capital by converting 75,000 thousand warrants into shares in January 2012 for EUR 150,000 thousand, issuing, during the same year, bonds mandatorily converted into shares in July 2014 in an amount of EUR 434,000 thousand, issuing 315,421 thousand of shares to deal with the 202.292 thousand warrants issued as part of Prisa's bank debt refinancing in 2013 and capital increases subscribed by Consorcio Transportista Occher, S.A. de C.V. in 2014, and International Media Group S.à.r.l. in 2015, for EUR 100,000 thousand and EUR 64,000 thousand respectively. In addition during 2016, a bond issuance mandatorily convertible into new issue ordinary shares was subscribed through the conversion of financial debt for amount of EUR 100,742 thousand (*see notes 10a and 11b*).

Also, in 2015, Prisa consolidated and exchanged shares with the aim of limiting the volatility of the share on the market without its value losing liquidity.

Additionally, with the agreement to refinance its financial debt signed in December 2013, the Group obtained greater flexibility in the process of debt reduction and an improvement in its liquidity profile (*see note 11b*). This agreement establishes commitments to maintain leverage ratios and interest cover at specific levels.

Since the signing of the refinancing agreement, the Group has advanced in the debt reduction process using proceeds from the sale of 17.3% of Mediaset España, 56% of DTS and the trade publishing business, as well as with proceeds from the share capital increase subscribed by Occher and with part of proceeds from the capital increase subscribed by International Media Group, S.á.r.l. and with the bonds issuance, mandatorily convertible into shares, through the conversion of financial debt (*see notes 3, 10a and 11b*).

11) NON- CURRENT FINANCIAL ASSETS AND FINANCIAL LIABILITIES

a) Financial investments

The breakdown by category of financial investments of the Group at December 31, 2016 and 2015 is as follows:

2016 -

	Thousands of euros			
	Financial assets available for sale	Loans and receivables	Investments held to maturity	Total
Equity instruments	3,983	-	-	3,983
Other financial assets	-	17,060	12,849	29,909
Non-current financial investments	3,983	17,060	12,849	33,892
Equity instruments	2,840	-	-	2,840
Other financial assets	-	7,757	8,909	16,666
Current financial investments	2,840	7,757	8,909	19,506
Total	6,823	24,817	21,758	53,398

2015 -

	Thousands of euros				Total
	Other financial liabilities at FV through P&L	Financial assets available for sale	Loans and receivables	Investments held to maturity	
Equity instruments	-	2,948	-	-	1,005
Other financial assets	10	-	16,591	11,355	29,899
Non-current financial investments	10	2,948	16,591	11,355	30,904
Equity instruments	-	817	-	-	817
Other financial assets	-	-	38,048	75,588	113,636
Current financial investments	-	817	38,048	75,588	114,453
Total	10	3,765	54,639	86,943	145,357

In 2016, the change in the heading “*Current financial assets- Loans and receivables*” is mainly due of the collected of the two pending adjustments in relation to the final price of the sale of shares of DTS following the favorable resolution in favor of Prisa (EUR 36,343 thousand) (see notes 3 and 24).

In addition, the decrease in the heading “*Current financial assets- Held to maturity investment*” is mainly due to the cancellation of deposits with maturity less than one year.

Non-current financial assets

The changes in “*Non-current financial assets*” in the consolidated balance sheet in 2016 by type of transaction were as follows:

	Thousands of euros					Balance at 12/31/2016
	Balance at 12/31/2015	Translation / monetary adjustment	Changes in scope of consolidation	Additions / allowance	Disposals / Transfers	
Loans and receivables	16,591	415	-	683	(629)	17,060
Loans to associates	34,763	247	-	1,101	(470)	35,641
Long-term loans to third parties	7,249	199	-	652	(159)	7,941
Allowance	(25,421)	(31)	-	(1,070)	-	(26,522)
Held-to-maturity investments	11,355	480	179	1,299	(464)	12,849
Other financial liabilities at FV through P&L	10	-	-	-	(10)	-
Available-for-sale financial assets	2,948	4	(45)	1,090	(14)	3,983
Non-controlling equity interests	8,351	8	(45)	931	(64)	9,181
Other non-current financial assets	22	-	-	1,000	(10)	1,012
Allowance	(5,425)	(4)	-	(841)	60	(6,210)
Total	30,904	899	134	3,072	(1,117)	33,892

There were no significant changes in 2016 in non-current financial assets.

The changes in “*Non-current financial assets*” in the consolidated balance sheet in 2015 by type of transaction, were as follows:

	Thousands of euros					Balance at 12/31/2015
	Balance at 12/31/2014	Translation / monetary adjustment	Changes in scope of consolidation	Additions / allowance	Disposals / Transfers	
Loans and receivables	19,507	1,174	-	(2,305)	(1,785)	16,591
Loans to associates	31,776	775	-	2,505	(293)	34,763
Long-term loans to third parties	9,552	486	-	164	(2,953)	7,249
Allowance	(21,821)	(87)	-	(4,974)	1,461	(25,421)
Held-to-maturity investments	9,814	711	-	1,430	(600)	11,355
Other financial liabilities at FV through P&L	-	-	-	10	-	10
Available-for-sale financial assets	156,326	(15)	(81)	1,453	(154,735)	2,948
Non-controlling equity interests	162,002	(55)	(81)	1,453	(154,968)	8,351
Other non-current financial assets	52	-	-	-	(30)	22
Allowance	(5,728)	40	-	-	263	(5,425)
Total	185,647	1,870	(81)	588	(157,120)	30,904

The heading “*Loans and receivables*” included the transfer to short-term of the remaining balance to be collected for the sale of Redprensa, S.L.U. in September 2013, amounting to EUR 1,790 thousand.

Additions to the provisions in “*Loans and receivables*” included impairment of the credit granted to Le Monde in the amount of EUR 1,283 thousand, with a net value at December 31, 2015 of EUR 9,070 thousand. The remainder was accounted for impairment of credits granted to radio companies in Panama.

The change in the heading “*Available for sale financial assets*” in 2015, was a consequence of the sale of 14,787,426 shares of Mediaset España, representing 3.63% of the capital share of the company, which generated a cash inflow of EUR 162,097 thousand, and a positive equity impact of EUR 5,574 thousand for the difference between the fair value and the sale price at December 31, 2014 of the stake sold. Part of these proceeds from this sale has used to buy back a portion of its financial debt at a discount (*see note 11b*).

The remaining stake was valued at fair value at December 31, 2015 (10.03 euros per share). Its value was EUR 1,046 thousand.

The carrying amount of the financial assets does not vary significantly from their fair value.

b) Financial liabilities

The breakdown by category of financial liabilities at December 31, 2016 and 2015 is as follows:

2016-

	Thousands of euros
	Debts and payables
Bank borrowings	1,653,535
Other financial liabilities	136,149
Non-current financial liabilities	1,789,684
Bank borrowings	68,488
Other financial liabilities	23,104
Current financial liabilities	91,592
Total	1,881,276

2015-

	Thousands of euros
	Debts and payables
Bank borrowings	1,907,758
Other financial liabilities	131,822
Non-current financial liabilities	2,039,580
Bank borrowings	100,765
Other financial liabilities	23,117
Current financial liabilities	123,882
Total	2,163,462

Bank borrowings

The detail, in thousands of euros, of the bank borrowings at December 31, 2016, of the credit limits and of the scheduled maturities is as follows:

	Maturity	Limit	Drawn-down amount maturing at short term	Drawn-down amount maturing at long term
Syndicated loan Prisa (Tranches 2)	2018	956,512	-	956,512
Syndicated loan Prisa (Tranches 3)	2019	176,985	-	176,985
Participative loan (PPL)	2019	439,775	-	439,775
Credit facilities	2017	72,048	17,274	-
Loans	2017 - 2024	138,155	38,404	99,751
Finance leases, interest and other	2017 - 2019	-	12,877	10,541
Loan arrangement costs	2017 - 2019	-	(67)	(30,029)
Total		1,783,475	68,488	1,653,535

The detail, in thousands of euros, of the bank borrowings at December 31, 2015, of the credit limits and of the scheduled maturities is as follows:

	Maturity	Limit	Drawn-down amount maturing at short term	Drawn-down amount maturing at long term
Syndicated loan Prisa (Tranches 2)	2018	956,512	-	1,231,955
Syndicated loan Prisa (Tranches 3)	2019	275,443	-	275,443
Participative loan (PPL)	2019	534,439	-	534,439
Subordinated loan	2020	31,126	-	31,126
Credit facilities	2016 - 2017	94,814	38,987	-
Loans	2016 - 2024	196,440	49,823	146,616
Finance leases, interest and other	2016 - 2019	-	12,054	11,791
Loan arrangement costs	2016 - 2019	-	(100)	(48,169)
Total		2,088,774	100,765	1,907,758

Of the total bank borrowings at December 31, 2016, 97.97% were denominated in euros (95.86% at December 31, 2015) and the remainder in foreign currencies.

The average interest rates on the Group's bank borrowings were 3.13% in 2016 and 3.44% in 2015.

Of the total bank borrowings at December 31, 2016, 59.85% were linked to floating interest rates and the rest to fixed ones (57.63% to floating interest at December 31, 2015).

Bank borrowings are presented sheet at amortized cost in the consolidated balance sheet, adjusted for the loan origination and arrangement costs.

In accordance with IFRS 13, to determine the theoretical calculation of the fair value of the financial debt we used the Euribor curve and the discount factor supplied by the bank and the actual credit risk arising from a report provided by an independent expert regarding the transactions made in the secondary debt market once the refinancing process is completed (level 2 variables, estimates based on other observable market methods). The fair value of the Group's financial debt, according to this calculation, would amount to EUR 1,563,463 thousand at December 31, 2016 considering a 10.77% average discount over the real principal payment obligation to the creditor entities.

Syndicated loan (Tranche 1)-

In December 2013, as part of the refinancing of its financial debt, Prisa signed a syndicated financing agreement with a group of 16 financial investors for a maximum of EUR 353,261 thousand, with super senior status compared with the remainder of the refinanced debt, which was provided in full. Pursuant to the conditions for capitalization of the PIK on Tranche 1, debt increased in 2014 in this regard by EUR 18,524 thousand.

In May 2015, Prisa paid off Tranche 1 fully in the amount of EUR 385,542 thousand with part of the proceeds from the sale of 56% of DTS (*see note 3*). This amount included EUR 13,757 thousand corresponding to accrued interest unpaid on the cancellation date and the capitalized PIK during 2015.

Syndicated loan (Tranches 2 and 3)-

In December 2013, as part of the refinancing of its financial debt, Prisa agreed to the renewal of its syndicated loan, bridge loan and bilateral loans in an amount of EUR 2,924,732 thousand. The debt renewal was structured into tranches as follows:

- EUR 646,739 thousand (Tranche 2) maturing at long-term (5 years) at an interest rate referenced to the Euribor plus a margin negotiated with the lenders; and
- EUR 2,277,993 thousand (Tranche 3) maturing at long-term (6 years) at an interest rate referenced to the Euribor plus a margin negotiated with the lenders (PIK);

Tranche 2-

Under the refinancing agreement subscribed by the company, the level of Tranche 2 debt was set at EUR 956,512 thousand, following the mandatory cancellation, in May 2015, of the total for Tranche 1 with part of proceeds from the sale of DTS, for an amount of EUR 385,542 thousand, and the sale of the general publishing business.

Therefore Tranche 2 debt has been modified by the following:

- Debt cancellation in an amount of EUR 142,968 thousand in 2015:
 - With part of the proceeds from the sale of 3.63% of Mediaset España, Prisa repurchased debt at a discount in an amount of EUR 105,939 thousand, at an average discount of 14.4%.
 - With part of the proceeds from the sale of 56% of DTS, Prisa paid off EUR 25,517 thousand, at an average discount of 12.94%.
 - With part of the proceeds from the sale of the general publishing business in 2014, debt of EUR 11,512 thousand was paid off.
- Debt cancellation in an amount of EUR 50,285 thousand debt during 2016 with part of the proceeds from the sale of 56% of DTS and from the favourable resolution of the price adjustment, at an average discount of 15.7%.
- To reach the new Tranche 2 debt level, after the partial cancellations described above, EUR 452,741 thousand of debt was transferred from Tranche 3 in 2015 and EUR 50,285 thousand in 2016.

Tranche 2 falls due in 2018. The Group is studying several options to meet these objectives such as the total or partial sale of assets, buying back debt at a discount in the market, leveraging operating assets and carrying out other corporate transactions.

Tranche 3-

The refinancing agreement included a series of commitments to reduce debt by EUR 900,000 thousand in 2015, and by an additional EUR 600,000 in 2016, and, at December 31, 2015, these commitments fulfilled in advance.

The transactions carried out by the Group to meet its debt reduction commitments were as follows:

- Debt cancellation in an amount of EUR 776,675 thousand in 2014:
 - o Prisa repurchased debt in an amount of EUR 643,542 thousand, at an average discount of 25.70%, with the net proceeds from the sale of 13.68% of Mediaset España.
 - o Debt was repurchased in an amount of EUR 133,133 thousand, at a discount of 25.00%, with the amount from the capital increase subscribed by Occher.

- Debt cancellation in an amount of EUR 305,405 thousand in 2015:
 - o Prisa repurchased discounted debt in an amount of EUR 94,685 thousand, at an average discount of 22.61% with part of the net proceeds from the sale of 3.63% of Mediaset España.
 - o With part of the proceeds from the sale of 56% of DTS, Prisa paid off EUR 210,720 thousand, of which an amount of EUR 71,168 thousand was cancelled at a discount of 13.07%.

- Debt cancellation of EUR 57,414 thousand during 2016, with the funds derived from part of the funds collected from the sale of DTS and the favourable resolution of price adjustments, of which EUR 37,751 thousand were cancelled at an average discount of 13.5% and the rest at par.

- Meanwhile, as provided for in the refinancing agreement, the mandatory cancellation of the total of Tranche 1 with the proceeds from the sale of DTS and the partial cancellation of part of Tranche 2 with the transactions described above gave rise to the transfer of EUR 452,741 thousand of Tranche 3 to Tranche 2 during 2015 and EUR 50,285 thousand of Tranche 3 to Tranche 2 during 2016.

- In addition, as described below, due to the equity position of the parent company as a result of the sale of 56% of DTS, in September 2014 and in April 2015 the automatic debt conversion processes of Tranche 3 were formalized into participating loans in an amount of EUR 506,834 thousand and EUR 19,750 thousand respectively, as provided for in the company refinancing agreement. In 2016, were transferred EUR 4,406 thousands of PPLs to Tranche 3.

Pursuant to the conditions for capitalization of the PIK on Tranche 3, during 2016 debt increased in this regard by EUR 4,835 thousand (EUR 15,511 thousands in 2015).

Following the movements described above, at December 31, 2016, the amount of Tranche 3 stood at EUR 176,985 thousand (EUR 275,443 thousand at December 31, 2015).

Participating Loan (PPL)-

In June 2014, as a result of the loss of EUR 750,383 thousand by Prisa following the sale of a 56% stake in DTS, the equity of Prisa was negative in the amount of EUR 593,513 thousand, and therefore the company qualified for dissolution, pursuant to Spain's Corporate Enterprises Act.

In a bid to restore the equity balance, and in accordance with financing agreements of the Group, the automatic mechanism was again deployed to convert part of Tranche 3 of company debt into participating loans, in such a way that, on September 15, 2014, the process of converting debt into participating loans was formalized in an amount of EUR 506,834 thousand, and implied the reestablishment of the equity balance.

At December 31, 2014, as a result of, among other items, a review of the sale price of DTS and recognition of additional impairment of EUR 23,789 thousand, the equity of the Parent Company with respect to the cause of dissolution and/or reduction of capital stipulated in Spain's Corporate Enterprises Act (including participating loans outstanding at year end) stood at EUR 31,554 thousand.

In order to restore the equity balance, the mechanism was again used to automatically convert part of Tranche 3 of the company's debt into participating loans. On April 20, 2015, an amount of EUR 19,750 thousand of Tranche 3 was converted into participating loans, after consideration of the transactions executed up until that date designed to reduce this amount as much as possible.

During 2016, EUR 68,630 thousand of participative loans were cancelled as a result of the subscription of the mandatory convertible bond (*see note 10c*). In addition, EUR 33,096 thousand of participative loans were cancelled using part of the funds from the capital increase subscribed in 2015 by International Media Group, S.à.r.l. (for a total amount of EUR 64,000 thousand) at an average discount of 23.2%. In addition, EUR 4,406 thousand were transferred to Tranche 3.

The financial cost of the Participating Loan (PPL) is identical to that for Tranche 3. During 2016 capitalized PIK increased debt by EUR 10,924 thousand (EUR 13,146 thousands in 2015).

The participating loan balance at December 31, 2016 amounted to EUR 439,775 thousand (EUR 534,439 thousand at December 31, 2015).

Compliance with certain financial ratios is established in the financial agreements. The Group's directors consider that these ratios were fulfilled at December 31, 2016.

The refinancing agreement also includes causes for early termination as is customary in this kind of agreement, including the acquisition of control of Prisa, acquisition being understood as by one or several persons together, with more than 30% of the capital with voting rights.

The guarantee structure for Tranches 2, 3 and PPL is as follows:

Personal guarantees

Tranches 2, 3, and PPL of the Prisa debt corresponding to debt which was refinanced in December of 2013 are severally guaranteed by Grupo Bidasoa Press, S.L., Dédalo Grupo Gráfico, S.L., Diario El País, S.L., Distribuciones Aliadas, S.A., Grupo Empresarial de Medios Impresos, S.L., Norprensa, S.A. and Prisa Participadas, S.L.

Also, Prisa Radio, S.A. and Vertix, SGPS, S.A. guarantee Tranches 2, 3, and PPL, with the following limitations:

- The guarantee granted by Prisa Radio, S.A. will be limited to a maximum amount equal to the lesser of the following:
 - EUR 1,314,706 thousand; and
 - 73.49% of equity at any given moment; and
- The guarantee granted by Vertix SGPS, S.A. will be limited to a maximum amount of EUR 600,000 thousand.

Guarantees

In December, 2013, resulting from a new syndicated loan which was repaid early in May, 2015, and the renewal of the remaining loans, Prisa pledged on certain owned bank accounts and, additionally, Bidasoa Press, S.L., Dédalo Grupo Gráfico, S.L. and Distribuciones Aliadas, S.A. constituted pledge on certain properties and receivables related to certain material contracts to guaranty the said creditors.

Also, on January 10, 2014, a pledge was granted for Prisa's shares in Audiovisual Sport, S.L. (80% share capital).

Part of the Prisa investment in Grupo Santillana Educación Global, S.L. (75% share capital), in Prisa Radio, S.A. (73.49% share capital) and Grupo Media Capital SGPS, S.A. (84.69% share capital) was also pledged, thereby insuring Tranches 2, 3, and PPL.

A pledge on certain properties and credit rights was also granted to the creditors of the financing granted to Dédalo Grupo Gráfico, S.L.

Subordinated Debt -

During 2016, Prisa's total subordinated debt has been cancelled as holders (HSBC, Caixabank and several companies of Grupo Santander) subscribed the mandatory convertible bond into newly ordinary shares, for an amount of EUR 32,112 thousand (*see note 10*).

This debt originated from interest, known as "coupons", on the convertible bonds subscribed in 2012 by these entities, in their capacities as the company's bank lenders. As part of the refinancing process in 2013, these entities agreed for the payment of this interest to take place solely on the date for the mandatory reconversion of the bonds, namely July 7, 2014. Upon maturity of the convertible bonds and their corresponding coupons, Prisa and its bank creditors agreed to convert the amount of this capitalized interest into subordinated debt.

Credit facilities-

Credit facilities include mainly the amounts drawn down against credit lines used to finance the Prisa Group companies' operating requirements outside Spain. Borrowing facilities maturing in 2017 total EUR 17,271 thousand and are recognized under "Current bank borrowings" on the accompanying consolidated balance sheet. The interest rate applicable to these credit facilities is Euribor or Libor plus a market spread.

Derivative financial instruments

The Prisa Group arranges derivative financial instruments with Spanish and international banks with high credit ratings.

Interest rate derivatives-

In order to determine the fair value of the derivatives, the Prisa Group uses valuations provided by financial entities by applying the group's credit risk provided by an independent expert.

The latest interest rate derivatives arranged by the Prisa Group matured before December 31, 2015, without any new signing in 2016.

Foreign currency derivatives-

In 2016, the Group arranged foreign currency hedges in order to mitigate exposure to exchange rate fluctuations.

In order to determine the fair value of the derivatives, the Prisa Group uses valuations provided by financial entities by applying the group's credit risk provided by an independent expert.

Company	Instrument	Expiry	Nominal value		Fair value (thousands of euros)
			Thousands of USD	Thousands of euros	
Editora Moderna LTDA	Forward	2017	6,000	5,692	(873)
Editora Moderna LTDA	Forward	2017	6,000	5,692	(92)
Santillana del Pacífico	Forward	2017	782	742	(9)
Santillana del Pacífico	Forward	2017	1,712	1,624	(34)
Grupo Santillana	Forward	2017	2,500	2,372	218
Grupo Santillana	Forward	2017	2,500	2,372	218
Grupo Santillana	Forward	2017	10,013	9,499	994
			29,507	27,993	422

Analysis of sensitivity to exchange rates

The changes in the fair value of the foreign currency hedges arranged by the Prisa Group depend on fluctuations in the EUR/USD, USD/BRL and USD/CLP exchange rates.

Following is a detail, in thousands of euros, of the sensitivity (changes in fair value) of the foreign currency hedges:

Sensitivity (before tax)	12/31/2016
+10% (increase in USD exchange rate)	152
-10% (decrease in USD exchange rate)	(439)

The sensitivity analysis shows that the positive fair value of the foreign currency derivatives increases in the event of increases in exchange rates, whereas the fair value of the derivatives decreases in the event of decreases in exchange rates.

Liquidity and interest rate risk tables

The management of liquidity risk includes the detailed monitoring of the repayment schedule of the Group's borrowings and the maintenance of credit lines and other financing channels that enable it to cover foreseeable cash needs at short, medium and long term.

The table below details the liquidity analysis of the Prisa Group in 2016 in relation to its bank borrowings, which represent substantially all the non-derivative financial liabilities. The table was prepared using the cash outflows not discounted with respect to their scheduled maturity dates; when it is expected that the outflows will take place prior to the contractually stipulated dates. The flows include both the expected repayments and interest payments. When the settlement is not fixed, the amount was determined using the underlings calculated based on the interest rate curves at the end of 2016.

Maturity	Thousands of euros	Floating euro rates
Within 3 months	36,290	0.00%
From 3 to 6 months	22,144	0.00%
From 6 to 9 months	42,678	0.00%
From 9 to 12 months	15,583	0.00%
From 1 to 2 years	1,045,056	0.00%
From 2 to 3 years	681,726	0.00%
After 3 years	20,731	0.32%
Total	1,864,208	

Fair value of financial instruments: applicable valuation techniques and assumptions for measuring fair value

The financial instruments are grouped together on three levels based on the degree to which the fair value is observable.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

- Level 3: those determinable on the basis of valuation techniques, which include inputs for the asset and liability that are not based on observable market data (unobservable inputs).

The Prisa Group's interest rate derivatives are classified as level-2 derivatives.

Other financial liabilities

"Financial liabilities" mainly include a financial liability for the obligation to pay preferential dividends in an annual minimum amount to DLJSAP for its stake in Grupo Santillana Educación Global, S.L.

The sale of 25% of Grupo Santillana Educación Global, S.L.'s share capital in 2010 included the obligation to pay a preferential dividend of at least USD 25.8 million per year.

Therefore, at December 31, 2016, the Group recognized a financial liability of EUR 136,149 thousand (December 31, 2015: EUR 131,822 thousand), calculated as the present value of the preferential annual dividends discounted at the interest rate applicable to credit instruments with similar characteristics. These liabilities are in USD, and therefore, differences arising from exchange rate fluctuations are recognized as finance income in the consolidated income statement.

In addition, the heading "Current financial liabilities" included, at December 31, 2016, the accrued amount of the obligation to pay the preferred dividend for said year amounting to EUR 23,076 thousand.

12) LONG-TERM PROVISIONS

The changes in 2016 in "Long-term provisions" were as follows:

	Thousands						Balance at 12/31/2016
	Balance at 12/31/2015	Translation adjustment	Changes in scope of consolidation	Charge for the year	Amounts used / Disposals	Transfers	
For taxes	26,976	6	-	30,591	(30,768)	-	26,805
For indemnities	15,047	27	-	1,195	(6,550)	(75)	9,644
For third-party liability and other	32,770	(103)	151	3,812	(1,678)	162	20,067
Total	59,746	(70)	151	35,598	(38,996)	87	56,516

The changes in 2015 in "Long-term provisions" were as follows:

	Thousands of euros					Balance at 12/31/2015
	Balance at 12/31/2014	Translation adjustment	Charge for the year	Amounts used / Disposals	Transfers	
For taxes	85,064	(112)	109	(58,216)	131	26,976
For indemnities	15,798	(119)	4,645	(4,395)	(883)	15,047
For third-party liability and other	15,102	(1,089)	7,080	(5,332)	1,962	17,723
Total	115,964	(1,320)	11,834	(67,942)	1,210	59,746

The "Provision for taxes" relates to the estimated amount of tax debts arising from the tax audit carried out at various Group companies.

In fiscal year 2016, the undertaking of "Provision for taxes" corresponds mainly to (i) endowments, for the impact of VAT and Corporate Income Tax inspections and (ii) the withdrawals resulting from the decrease in the provision, both for the amount of the accounting impact derived from that same Corporate Tax inspection and the cancellation of the total amount of advances recorded for the payment of VAT inspection (*see note 17*).

In 2015, part of the provision for taxes amounting to EUR 57,359 thousand was used to write off advance tax assessments recorded in the deferred tax asset (*see note 17*).

The "Provision for indemnities" includes the provision booked in the previous years to record the downsizing processes (*see note 14*). In 2016, the Group booked an additional provision for this item of EUR 1,195 thousand (December 31, 2015: EUR 4,645 thousand), has used EUR 4,210 thousand (December 31, 2015: EUR 4,232 thousand) as a result of indemnity payments and commercial paper issuances and has reversed EUR 2,340 thousands. The Group expects to use this provision in the next two years.

The "Provision for third-party liability" relates to the estimated amount required to meet possible claims and litigation brought against Group companies. At December 31, 2016, the Group had ownership interests in companies accounted for using the equity method, the negative net value of which is recognized under "Long-term provisions" in the accompanying consolidated balance sheet, the detail being as follows (*see note 8*):

	Thousands of euros
WSUA Broadcasting Corporation	1,257
Green Emerald Business, Inc.	2,065
Other	2,424
Total	5,746

In view of the nature of the contingencies covered by these provisions, it is not possible to determine a reasonable payment schedule, if indeed there is one, or their financial effect. However, the Prisa Group's legal advisers and directors consider that the outcome of these

procedures and claims will not have a significant effect on the consolidated financial statements for the years in which they come to an end additional to the amount provisioned in the accounting records.

13) OPERATING INCOME

The breakdown of income from the Group's main business lines is as follows:

	Thousands of euros	
	12/31/2016	12/31/2015
Advertising sales and sponsorship	483,861	497,558
Sales of books and training	626,364	630,689
Newspaper and magazine sales	91,572	96,130
Sales of add-ons and collections	18,079	18,591
Sale of audiovisual rights and programs	30,910	28,440
Intermediation services	7,135	7,780
Other services	72,040	68,818
Revenue	1,329,961	1,348,006
Income from non-current assets	4,405	5,990
Other income	23,671	20,066
Other income	28,076	26,056
Total operating income	1,358,037	1,374,062

The most significant exchange transactions occurred under "*Advertising sales and sponsorship*" and the most significant segments were radio and press, whose exchanges with third parties amounted to EUR 6,354 thousand in 2016 (December 31, 2015: EUR 9,190 thousand).

14) OPERATING EXPENSES

Staff costs

The detail of "*Staff costs*" is as follows:

	Thousands of euros	
	12/31/2016	12/31/2015
Wages and salaries	296,838	305,423
Employee benefit costs	59,546	60,203
Termination benefits	15,677	29,761
Other employee benefit costs	16,648	17,386
Total	388,709	412,773

Cost of termination benefits corresponds to different processes of regularization of employment addressed by the group, mainly in radio and press business units in Spain during 2016 and 2015.

The average number of employees of the Group and the number of employees at December 2016 and 2015, by professional category, was as follows:

	2016		2015	
	Average	Final	Average	Final
Executives	396	400	371	379
Middle management	1,182	1,231	1,148	1,151
Other employees	7,119	7,259	7,127	7,255
Total	8,697	8,890	8,646	8,785

The breakdown of the average number of employees, by gender, was as follows:

	12/31/2016		12/31/2015	
	Women	Men	Women	Men
Executives	127	269	109	261
Middle management	498	684	470	678
Other employees	3,313	3,806	3,241	3,885
Total	3,938	4,759	3,821	4,825

The breakdown of the number of employees, by gender, was as follows:

	12/31/2016		12/31/2015	
	Women	Men	Women	Men
Executives	130	270	112	267
Middle management	527	704	478	673
Other employees	3,415	3,844	3,421	3,834
Total	4,072	4,818	4,011	4,774

During 2016 the number of employees with a disability greater than or equal to 33% was 23.

Transactions with payments based on equity instruments

The Ordinary Shareholders Meeting held on April 28, 2014 authorised delivery, over a term of five years, of shares of the Company as payment of compensation of directors of the Company and a defined group of executives of the Prisa Group. This authorisation may be used in particular, and without limitation, to make payment in shares in the following compensation categories:

- i) Fixed remuneration for belonging to the Board is payable to each of the external directors, to be chosen by them, entirely in cash or 60% cash and 40% in shares of Prisa:

When the choice of director is partial payment in shares of Prisa, they are delivered quarterly. It is recognized an expense for this item on the income statement for 2016 in the amount of EUR 222 thousand.

The 29,774 shares accrued in this category over that period have not yet been fully delivered.

In December 2016 Prisa delivered 6,515 shares in partial payment of the fixed compensation of external directors for the fourth quarter of 2015. The corresponding expense, in an amount of EUR 45 thousand, was entered in the profit and loss account for 2015.

ii) Variable annual compensation (annual bonus) of the executive directors of the Company and the Management Team of Prisa Group, when it has been resolved that it will be paid in whole or in part in Prisa shares:

In 2016, a part of the annual variable remuneration corresponding to the year 2013 of the Executive President, Mr. Juan Luis Cebrián Echarri, has been settled in shares (which was partially paid in cash in the year 2014 and with Prisa shares in February 2016, according to the terms of his contract). The total amount of the 54,042 shares delivered was recorded as an expense in the amount of EUR 632 thousand in the income statement for the year 2013, although in 2016 there has been a regularization after the settlement of this remuneration in the amount of EUR 301 thousand.

iii) Long term variable compensation (long term incentive) of executive directors of the Company and the Management team of Prisa Group:

- Pursuant to the terms of his contract with the Company, the Executive President, Mr. Juan Luis Cebrián Echarri, will be entitled to receive a multi-year variable incentive, payable in shares of Prisa, subject to the fulfilment of the strategic objectives to be set by the Board of Directors, for the period 2016-2018. In the profit and loss account for 2016 there is an expense in the amount of EUR 500 thousand in this category.
- Likewise, in April 2016 Mr. Cebrián has received 39,202 shares in settlement of a multiyear variable incentive, which was payable from January 2016. The corresponding accounting expenses were recorded in the income statement of previous years, although in 2016 there has been a lower expense in the amount of EUR 157 thousand for the regularization made after the settlement of this remuneration.
- The Ordinary Shareholders Meeting held on April 28, 2014 authorised a long term incentive of the Company (ILP), whereby a given number of ordinary shares of the Company and a given amount of cash may be delivered to a specific group of executive directors of the Company and key managers of the Group, based on their level of responsibility and contribution to the results of the Group, as variable compensation tied to achievement of long term objectives. The Plan is for a term of three years, from January 1, 2014 to December 31, 2016.

Of the three executive directors, only Mr. Manuel Polanco Moreno is a current beneficiary of the ILP.

In 2016, the expenditure corresponding to those managers who have met the management objectives has been recorded in an amount of EUR 950 thousand, and the part of those managers who have not met these objectives has been reversed in an amount of EUR 1,684 thousand.

- Pursuant to the terms of his contract with the Company, the executive director Mr. José Luis Sainz is entitled to receive a multi-year variable incentive, payable in shares of Prisa, subject to fulfilment of the strategic plans of the Company and his personal

performance, for the 2014-2016 and 2017-2018 periods. As for the 2014-2016 periods, the corresponding provision has been reversed in 2016, since the objectives established have not been met in an amount of EUR 486 thousand.

Outside services

The detail of “*Outside services*” in 2016 and 2015 is as follows:

	Thousands of euros	
	12/31/2016	12/31/2015
Independent professional services	130,572	121,568
Leases and fees	57,282	58,395
Advertising	48,842	59,774
Intellectual property	35,216	32,517
Transport	35,112	38,066
Other outside services	195,557	189,254
Total	502,581	499,574

In 2016, “*Other outside services*” include an expense of EUR 281 thousand corresponding to the liability insurance of executives and directors.

Fees paid to auditors

The fees for financial audit services relating to the 2016 financial statements of the various companies composing the Prisa Group and subsidiaries provided by Deloitte, S.L. and by other entities related to the auditor amounted to EUR 1,684 thousand (2015: EUR 1,530 thousand), of which EUR 180 thousand relate to Promotora de Informaciones, S.A. (2015: EUR: 180 thousand). Also, the fees relating to other auditors involved in the 2016 audit of the various Group companies amounted to EUR 361 thousand (2015: EUR 343 thousand).

In addition, the fees for other professional services provided to the various Group companies by the principal auditor and by other entities related to the auditor, and fees paid in this connection to other auditors participating in the audit of the various Group companies are as follows (in thousands of euros):

	2016		2015	
	Principal auditor and related party companies	Other audit firms	Principal auditor and related party companies	Other audit firms
Other verification services	472	22	548	98
Tax advisory services	222	348	396	362
Other services	747	1,189	102	306
Other professional services	1,441	1,559	1,046	766

Fees for professional services provided to Group companies by the auditing firms are registered under “*Outside services*”, except EUR 100 thousand registered in the asset in the accompanying consolidated balance sheet.

Operating leases

Various assets and services used by the Group are held under operating leases, the most significant of which are the buildings in Gran Vía 32, Miguel Yuste, Tres Cantos, Caspe and Queluz de Baixo (Portugal), the radio frequencies (the most important lease relates to Media Latina), TV studios in Portugal and management vehicles.

The schedule for the minimum lease payments arising from these leases is as follows:

Year	Thousands of euros
2017	31,249
2018	28,402
2019	28,029
2020	25,384
2021	19,902
2022 and beyond	128,284
	261,250

The lease contracts for the Gran Vía 32 and Miguel Yuste properties have a term of twenty-five years until July 2033, at the end of which no further extensions will be made unless an agreement is reached in this regard by the parties. The Queluz lease contract expires in 2019 and the lease contract for Tres Cantos has an obligatory period of 5 years, until April 30, 2020. The lease expense for properties in 2016 amounted to EUR 24,256 thousand (EUR 24,734 thousand in 2015) and was recognized under *"Outside services - Leases and fees"*.

Radio frequencies are leased from Media Latina expires in June 2021. The lease expense for 2016 in this connection amounted to EUR 7,038 thousand (2015: EUR 6,782 thousand), recognized under *"Outside services - Leases and fees."*

Change in allowances, write-downs and provisions

The detail of the *"Change in allowances, write-downs and provisions"* is as follows:

	Thousands of euros	
	12/31/2016	12/31/2015
Change in operating allowances	18,277	22,396
Change in inventory write-downs	9,901	10,838
Change in provision for sales returns	971	1,178
Total	29,149	34,412

15) FINANCIAL LOSS

The detail of "*Financial loss*" in the consolidated income statements is as follows:

	Thousands of euros	
	12/31/2016	12/31/2015
Income from current financial assets	1,251	25,095
Income from equity investments	151	218
Other finance income	24,158	48,807
Finance income	25,560	74,120
Interest on debt	(58,510)	(81,884)
Finance costs on hedging transactions	-	(748)
Adjustments for inflation	(3,117)	(1,707)
Loan arrangement costs	(17,838)	(59,128)
Other finance costs	(29,214)	(27,133)
Finance costs	(108,679)	(170,600)
Exchange gains	14,428	22,568
Exchange losses	(18,365)	(35,777)
Exchange differences (net)	(3,937)	(13,209)
Change in fair value of financial instruments	(1)	884
Financial loss	(87,057)	(108,805)

In 2015, the "*Income from current financial assets*" mainly included the income generated for the sale of 3.63% of Mediaset España for an amount of EUR 23,964 thousand for the difference between the sale price and the value of the stake sold in the moment of the lack of significant influence.

The "*Other finance income*" included capital gains on purchases of debt at a discount amounting to EUR 20,667 thousand in 2016, using the proceeds of DTS and of the capital increased subscribed by International Media Group, S.á.r.l. and EUR 45,262 thousand in 2015 using the proceeds from the sale of Mediaset España, DTS and the share capital increase subscribed by Occher (*see note 11b*).

The reduction in "*Interest on debt*" is due mainly to the lower level of debt of Prisa (*see notes 1b and 11b*).

Both in 2016 and in 2015, "*Loan arrangement costs*" include not only the costs accrued during the year but also the low costs associated with the cancelled debt.

16) BUSINESS SEGMENTS

Segment reporting is structured on a primary basis by business segment and on a secondary basis by geographical segment.

The business segments were determined based on the Prisa Group's organizational structure at year-end 2016 considering the nature of the products and services offered, and the customer segments which they target.

At December 31, 2016, Prisa's operations are divided into four main businesses:

- Education, which includes primarily the sale of educational books and the services and materials related to the education systems;
- Radio, the main source of revenue from which is the broadcasting of advertising and, in addition, the organization and management of events and the provision of other supplementary services;
- Press, which groups together mainly the activities relating to the sale of newspapers and magazines, advertising, promotions and printing; and
- Audiovisual, which obtains revenue mainly from the broadcasting of advertising and audiovisual production of the Portuguese subsidiary Grupo Media Capital, SGPS, S.A.

The column "*Others*" includes Prisa Brand Solutions, S.L.U., Prisa Tecnología, S.L., Promotora de Informaciones, S.A., Prisaprint, S.L., Promotora de Actividades América 2010, S.L., Promotora de Actividades América 2010 México, S.A. de C.V., Prisa Participadas, S.L., Prisa Inc., Prisa División Internacional, S.L., GLP Colombia, Ltda., Vertix, SGPS, S.A., Prisa Audiovisual, S.L.U., Prisa Gestión de Servicios, S.L., Audiovisual Sport, S.L., Promotora Audiovisual de Colombia Pacsa, S.A., Promotora de Actividades de Colombia, Ltda., Prisa Producciones de Video, S.L., Promotora de Emisoras, S.L. y Promotora de Emisoras de Televisión, S.A.

Segment information about these businesses for 2016 and 2015 is presented below. The column "*Eliminations and adjustments*" mainly includes transactions between group companies:



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	EDUCATION		RADIO		PRESS		AUDIOVISUAL (MEDIA CAPITAL)		OTHERS		ELIMINATIONS AND ADJUSTMENTS		PRISA GROUP	
	12.31.2016	12.31.2015	12.31.2016	12.31.2015	12.31.2016	12.31.2015	12.31.2016	12.31.2015	12.31.2016	12.31.2015	12.31.2016	12.31.2015	12.31.2016	12.31.2015
Operating income	637,535	642,816	301,051	314,764	239,896	241,265	174,027	174,386	67,332	54,715	61,804	(53,884)	1,358,037	1,374,062
- External sales	637,129	642,504	295,636	307,638	189,246	198,976	173,555	173,651	61,635	50,772	836	521	1,358,037	1,374,062
- Advertising	0	0	251,276	272,190	64,201	69,385	121,276	116,574	47,108	39,409	0	0	483,861	497,558
- Books and training	626,364	630,689	0	0	0	0	0	0	0	0	0	0	626,364	630,689
- Newspapers and magazines	0	0	0	0	91,572	96,130	0	0	0	0	0	0	91,572	96,130
- Sale of audiovisual rights and programs	0	0	215	832	0	0	29,971	27,372	724	236	0	0	30,910	28,440
- Other	10,765	11,815	44,145	34,616	33,473	33,461	22,308	29,705	13,803	11,127	836	521	125,330	121,245
- Intersegment sales	406	312	5,415	7,126	50,650	42,289	472	735	5,697	3,943	(62,640)	(54,405)	0	0
- Advertising	0	0	4,472	6,332	50,287	41,755	127	0	(47,046)	(39,320)	(7,840)	(8,767)	0	0
- Books and training	0	0	0	0	0	0	0	0	0	0	0	0	0	0
- Newspapers and magazines	0	0	0	0	0	0	0	0	0	0	0	0	0	0
- Sale of audiovisual rights and programs	0	0	0	13	0	0	204	607	480	89	(684)	(709)	0	0
- Other	406	312	943	781	363	534	141	128	52,263	43,174	(54,116)	(44,929)	0	0
Operating expenses	(538,953)	(554,117)	(272,849)	(272,485)	(232,836)	(247,728)	(140,742)	(143,429)	(61,723)	(96,923)	22,540	61,448	(1,224,563)	(1,253,234)
- Cost of materials used	(149,927)	(143,139)	(1,358)	(1,640)	(53,322)	(53,727)	(18,055)	(18,689)	18	(81)	5,207	4,497	(217,437)	(212,779)
- Staff costs	(146,104)	(150,046)	(104,808)	(108,731)	(57,077)	(67,889)	(43,652)	(43,008)	(36,439)	(43,099)	1	0	(388,709)	(412,773)
- Depreciations and amortisation charge	(55,424)	(59,311)	(7,779)	(6,777)	(7,398)	(7,111)	(8,232)	(9,176)	(4,363)	(8,236)	0	0	(83,196)	(90,611)
- Outside services	(170,193)	(182,231)	(153,605)	(149,650)	(113,597)	(113,248)	(70,125)	(71,144)	(51,726)	(31,937)	56,665	48,636	(502,581)	(499,574)
- Change in operating provisions	(14,682)	(15,135)	(4,581)	(5,782)	(677)	(5,619)	(667)	(743)	(8,542)	(5,174)	(39,330)	(1,959)	(29,149)	(34,412)
- Changes in valuation allowances to Group companies	0	0	3	(7)	0	0	0	0	39,330	(8,304)	0	8,401	3	0
- Other expenses	(2,623)	(4,255)	(721)	102	(135)	(134)	(11)	(669)	(1)	(2)	(3)	1,873	(3,494)	(3,085)
Profit from operations	98,582	88,699	28,202	42,279	7,060	(6,463)	33,285	30,957	5,609	(42,208)	(39,264)	7,564	133,474	120,828
Finance income	3,565	4,127	681	477	749	1,294	1	31	60,249	121,342	(39,697)	(52,261)	25,548	75,010
Finance costs	(42,056)	(43,923)	(6,790)	(8,862)	(1,040)	(1,322)	(4,773)	(6,082)	(83,746)	(144,746)	29,724	34,329	(108,680)	(170,606)
- Interest expenses	(11,741)	(13,398)	(1,216)	(1,492)	(301)	(17)	(4,292)	(5,587)	(47,500)	(72,503)	6,540	11,113	(58,510)	(81,884)
- Other financial expenses	(30,315)	(30,525)	(5,574)	(7,370)	(739)	(1,305)	(481)	(495)	(36,245)	(72,243)	23,184	23,216	(50,170)	(88,722)
Exchange differences (net)	(4,952)	(15,347)	1,123	2,145	(252)	(374)	138	375	19	(8)	(1)	0	(3,925)	(15,209)
Financial profit (loss)	(43,443)	(55,143)	(4,986)	(6,240)	(543)	(402)	(4,634)	(5,676)	(23,477)	(23,412)	(9,974)	(17,932)	(87,057)	(108,805)
Result of companies accounted for using the equity method	0	0	3,755	5,253	109	110	(532)	(234)	258	152	591	(1,130)	4,181	4,155
Loss from other investments	0	0	(47)	0	(801)	0	0	0	0	0	(1)	0	(849)	0
Profit before tax from continuing operations	55,139	33,556	26,924	41,292	5,825	(6,755)	28,119	25,051	(17,610)	(65,468)	(48,648)	(11,498)	49,749	16,178
Income tax	(42,022)	(26,297)	(9,408)	(18,484)	(5,050)	(2,639)	(9,018)	(7,751)	(21,595)	7,6373	(17)	4,121	(87,110)	25,323
Profit from continuing operations	13,117	7,259	17,516	22,808	775	(9,394)	19,101	17,300	(39,205)	10,905	(48,665)	(7,377)	(37,361)	41,501
Profit after tax from discontinued operations	0	(92)	0	0	51	0	0	0	(295)	(3,310)	(52)	718	(296)	(2,684)
Consolidated profit for the year	13,117	7,167	17,516	22,808	826	(9,394)	19,101	17,300	(39,500)	7,595	(48,717)	(6,659)	(37,657)	38,817
Non-controlling interests	(371)	(15)	(1,931)	(5,152)	(878)	(950)	0	0	1,044	80	(28,066)	(27,486)	(30,202)	(33,523)
Profit attributable to the Parent	12,746	7,152	15,585	17,656	(52)	(10,344)	19,101	17,300	(38,456)	7,675	(76,783)	(34,145)	(67,859)	5,294



Consolidated financial statements for 2016

	EDUCATION		RADIO		PRESS		AUDIOVISUAL (MEDIA CAPITAL)		OTHERS		ELIMINATIONS AND ADJUSTMENTS		PRISA GROUP	
	12.31.2016	12.31.2015	12.31.2016	12.31.2015	12.31.2016	12.31.2015	12.31.2016	12.31.2015	12.31.2016	12.31.2015	12.31.2016	12.31.2015	12.31.2016	12.31.2015
BALANCE SHEET														
Assets														
- Non-current (except accounted for using the equity method)	570,821	548,137	413,398	417,406	155,153	165,554	581,470	594,391	2,771,924	3,446,258	(2,366,335)	(2,808,354)	2,126,431	2,363,392
- Investments accounted for using the equity method	226,243	212,562	232,649	229,321	73,590	75,522	453,990	452,818	2,251,191	2,748,208	(2,000,654)	(2,424,539)	1,237,009	1,293,892
- Current	0	0	39,738	46,553	(17)	(125)	0	5,056	0	(159)	(3,031)	(8,484)	36,690	42,841
- Assets classified as held for sale	344,578	335,575	141,011	141,486	81,580	90,156	127,480	136,517	520,733	698,208	(362,650)	(375,330)	852,732	1,026,612
	0	0	0	47	0	0	0	0	0	0	0	0	0	47
Equity and liabilities														
- Equity	570,821	548,137	413,398	417,406	155,153	165,554	581,470	594,391	2,771,924	3,446,258	(2,366,335)	(2,808,354)	2,126,431	2,363,392
- Non-current	82,391	49,102	246,654	237,316	57,893	57,679	405,335	402,425	742,056	284,489	(1,870,374)	(1,425,598)	(336,045)	(394,587)
- Current	196,128	192,478	55,241	53,800	8,978	15,094	85,715	120,598	1,696,385	2,155,425	(133,322)	(360,906)	1,909,125	2,176,489
	292,302	306,557	111,503	126,290	88,282	92,780	90,420	71,368	333,483	1,006,345	(362,639)	(1,021,850)	553,351	581,490

The next table breaks down the cash flow statement for the continuing operations by segment in 2016 (in thousands of euros):

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Effect of foreign exchange rate changes	Change in cash flows in the year
Education	148,763	(65,250)	(96,017)	559	(11,945)
Radio	13,461	(2,135)	(8,290)	(223)	2,813
Press	4,649	(5,163)	(1,030)	(211)	(1,755)
Audiovisual (Media Capital)	39,560	(4,592)	(23,994)	-	10,974
Others	(14,093)	94,721	(153,390)	97	(72,665)
Total	192,340	17,581	(282,721)	222	(72,578)

The next table breaks down the cash flow statement for the continuing operations by segment in 2015 (in thousands of euros):

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Effect of foreign exchange rate changes	Change in cash flows in the year
Education	103,121	(59,136)	(4,817)	(15,515)	23,653
Radio	32,753	(5,845)	(4,757)	(4,802)	17,349
Press	7,190	(5,875)	(772)	97	640
Audiovisual (Media Capital)	26,859	(4,863)	(7,521)	-	14,475
Others	(1,853)	888,484	(775,391)	(787)	110,453
Total	168,070	812,765	(793,258)	(21,007)	166,570

The detail of capex for the continuing operations in 2016 and 2015 by business segment is as follows (in thousands of euros):

	2016			2015		
	Property, plant and equipment	Intangible assets	Total	Property, plant and equipment	Intangible assets	Total
Education	10,738	42,560	53,298	16,415	42,742	59,157
Radio	4,244	2,193	6,437	5,359	6,680	12,039
Press	2,020	3,293	5,313	817	2,538	3,355
Audiovisual (Media Capital)	5,850	461	6,311	4,779	717	5,496
Other	278	466	744	288	134	422
Total	23,130	48,973	72,103	27,658	52,811	80,469

The Group's activities are located in Europe and America. Operations in Europe are carried out mainly in Spain and Portugal. The activity in America develops in more than 20 countries mainly in Brazil, Mexico, Colombia and Chile.

The breakdown of certain of the Group's consolidated balances based on the geographical location of the companies that gave rise to them is as follows:

	Thousands of euros					
	Revenue		Other income		Profit/(loss) before non-controlling interests and tax	
	2016	2015	2016	2015	2016	2015
Europe	724,996	734,878	17,013	17,200	(38,981)	(74,078)
Spain	550,131	559,954	16,235	15,417	(67,477)	(97,986)
Rest of Europe	174,865	174,924	778	1,783	28,496	23,908
America	604,965	613,128	11,063	8,856	88,730	90,256
Colombia	95,187	99,392	1,956	2,277	14,407	30,941
Brazil	170,027	177,273	1,742	3,630	19,239	17,374
Mexico	80,086	96,321	653	200	8,631	9,141
Chile	49,262	52,536	2,219	519	9,648	9,693
Rest of America	210,403	187,606	4,493	2,230	36,805	23,107
TOTAL	1,329,961	1,348,006	28,076	26,056	49,749	16,178

	Thousands of euros			
	Non-current assets (*)		Total assets	
	2016	2015	2016	2015
Europe	600,277	617,382	1,466,592	1,743,223
Spain	157,544	170,475	896,304	1,157,393
Rest of Europe	442,733	446,907	570,288	585,830
America	285,877	263,229	659,839	620,169
Colombia	28,641	23,169	87,183	67,273
Brazil	103,483	82,951	213,020	192,826
Mexico	47,370	54,399	91,172	108,313
Chile	73,917	68,988	118,908	107,106
Rest of America	32,466	33,722	149,556	144,651
TOTAL	886,154	880,611	2,126,431	2,363,392

(*) Include property, plant and equipment, goodwill, intangible assets, investments accounted for using the equity method and other non-current assets.

17) TAX MATTERS

In Spain, Promotora de Informaciones, SA, is subject to the special tax consolidation regime, in accordance with the Corporate Tax Law, which is the dominant entity of the Group identified as number 2/91 and composed of all those subsidiaries (*see Appendix I*) which meet the requirements for this status by the regulations governing the taxation of consolidated profits of the Groups of Companies.

GLR Services, Inc. also files consolidated tax returns in the United States together with its subsidiaries that meet the requirements for application of this special consolidated tax regime.

Vertex, SGPS, S.A. and those subsidiaries which also meet the conditions required under Portuguese law constitute a consolidated tax group in Portugal.

The other Group subsidiaries file individual tax returns in accordance with the tax legislation prevailing in each country.

In this financial year, as in prior years, certain Group companies performed or participated in corporate restructuring operations under the special tax neutrality regime. The disclosures required by the tax legislation that arises from the application of the aforementioned transactions are included in the notes to the financial statements of the related Group companies for the year in which these transactions were carried out.

Also, in prior years, several tax group companies availed themselves of tax credits for the reinvestment of extraordinary income under Article 21 of the repealed Spanish Corporation Tax Law 43/1995. The disclosures required by this Law are made in the notes to the financial statements of the corresponding companies.

In the Income Tax for financial years 2011, 2012, 2013 and 2014, several tax group companies availed themselves of certain tax credits for the reinvestment of extraordinary income. The disclosures required by current legislation in each of these financial years were included in the notes to the financial statements of the companies involved. In all cases, the requirement to reinvest the sales price was met, through the acquisition of property, plant and equipment, intangible assets and financial assets, under the terms established in the regulations.

In previous years, some of the companies in this tax group deducted from taxable income, for tax purposes and without accounting allocation, the losses arising from the impairment of securities representing the participation in the capital of entities, as provided for in Article 12.3 of the repealed Consolidated Text of the Corporate Tax Law. The disclosures required by this Law are made in the notes to the financial statements of the corresponding companies.

a) Reconciliation of accounting profit to taxable profit

The following table shows reconciliation, in thousands of euros, of the result of applying the current standard tax rate in Spain to the consolidated net accounting profit of continuing operations, calculated under International Financial Reporting Standards, to the consolidated Group's income tax expense for 2016 and 2015.

	Income statement	
	2016	2015
CONSOLIDATED NET PROFIT UNDER IFRS BEFORE TAX FROM DISCONTINUED OPERATIONS	49,749	16,178
Tax charge at 25% and at 28%*	12,437	4,530
Consolidation adjustments	(5,215)	(7,342)
Temporary differences	19,462	35,423
Permanent differences (1)	28,242	1,729
Tax loss carry forwards	(730)	(140)
Tax credits and tax relief (2)	(1,965)	(1,991)
Effect of applying different tax rates (3)	5,119	1,293
Current income tax expense	57,350	33,502
Deferred tax expense for temporary differences	(19,462)	(35,423)
Previous income tax for 2015	37,888	(1,921)
Deferred tax loss carry forwards	-	(29,895)
Adjustment of prior years' tax (4)	40,552	2,569
Foreign tax expense (5)	6,575	5,049
Employee profit sharing and other expense concepts (6)	2,341	1,571
Adjustments to consolidated tax	(246)	(2,696)
TOTAL INCOME TAX	87,110	(25,323)

* Parentheses indicate income

- (1) The permanent differences mainly arise from (i) the different accounting and tax recording criteria of the expenses derived from certain provisions, (ii) from non-deductible expenses, (iii) from the effect of those companies that, having obtained losses in the year, have not recorded the corresponding deferred tax asset, (iv) the negative adjustment that can be accounted for by the merger tax difference, attributable to 2016, arising from the merger of the companies Promotora de Informaciones, SA And Prisa Televisión, SAU (absorption merger described in Note 17 of the Report of Promotora de Informaciones, SA for the year 2013), and applying the requirements of the then current article 89.3 of the Tax Law to grant it a tax effect), (v) of the minimum integration into five years of the reversal of the impairment losses on the equity securities of entities that would have been fiscally deductible, established by Royal Decree-Law 3/2016 of December 2 (which has generated a higher tax expense amounting to EUR 19,111 thousand) (vi) and a negative adjustment resulting from the recovery for tax purposes of one tenth of the amount adjusted in previous years as a result of the limitation of the deductibility of amortization expense.
- (2) The Spanish Prisa reporting Group companies have generated an international dividend double taxation tax credit and have applied deductions for donations.
- (3) This relates to the effect of taxation of profits from American and European subsidiaries at different rates.
- (4) It refers to the effect on the income statement arising from the regularization of Corporate income tax for previous years and the accounting record of the write-off of the negative tax bases of the tax consolidation group.
- (5) This relates to the expense for taxes paid abroad and arose from withholdings at source on the income from exports of services provided by the Group's Spanish companies abroad and dividends.
- (6) The P.T.U. is one more component of the Income Tax expense in some countries such as Mexico, Ecuador and Peru.

b) Deferred tax assets and liabilities
2016-

The following table shows the origin and amount of the deferred tax assets and liabilities recognized at year-end 2016 (in thousands of euros):

DEFERRED TAX ASSETS ARISING FROM:	12.31.2015	Additions	Disposals	12.31.2016
Advance tax notices	13,440	7,814	(17,766)	3,488
Non-deductible expenses	129,536	11,474	(418)	140,592
Non-deductible provisions, depreciation and amortization	19,007	2,635	(1,870)	19,772
Non-capitalizable assets	37	-	(37)	-
Tax loss carry forwards	154,714	836	(54,424)	101,126
Unused tax credit recognized	96,993	202	(21,519)	75,676
Other	11,491	2,033	(525)	12,999
Total	425,218	24,994	(96,559)	353,653

DEFERRED TAX LIABILITIES ARISING FROM:	12.31.2015	Additions	Disposals	12.31.2016
Impairment losses on equity investments and goodwill	4,649	87	(2,456)	2,280
Deferral for reinvestment of extraordinary income	2,939	-	(379)	2,560
Accelerated depreciation and amortization	1,919	-	(356)	1,563
Different accounting and tax recognition criteria for income	15,684	5,421	(18,714)	2,391
Other	11,261	1,600	(600)	12,261
Total	36,452	7,108	(22,505)	21,055

2015-

The following table shows the origin and amount of the deferred tax assets and liabilities recognized at year-end 2015 (in thousands of euros):

DEFERRED TAX ASSETS ARISING FROM:	12.31.2014	Additions	Disposals	Transfers	12.31.2015
Advance tax notices	45,875	32,366	(64,801)	-	13,440
Non-deductible expenses	95,527	34,029	(20)	-	129,536
Non-deductible provisions, depreciation and amortization	4,881	1,345	(935)	13,716	19,007
Non-capitalizable assets	37	-	-	-	37
Tax loss carry forwards	131,818	30,334	(7,438)	-	154,714
Unused tax credit recognized	107,946	2,147	(13,000)	(100)	96,993
Other	35,262	139	(10,294)	(13,616)	11,491
Total	421,346	100,360	(96,488)	-	425,218

DEFERRED TAX LIABILITIES ARISING FROM:	12.31.2014	Additions	Disposals	Transfers	12.31.2015
Impairment losses on equity investments and goodwill	13,514	275	(3,358)	(5,782)	4,649
Deferral for reinvestment of extraordinary income	4,044	-	(498)	(607)	2,939
Accelerated depreciation and amortization	727	-	(65)	1,257	1,919
Different accounting and tax recognition criteria for income	32,214	11,295	(32,277)	4,452	15,684
Other	9,514	1,296	(229)	680	11,261
Total	60,013	12,866	(36,427)	-	36,452

The tax assets and liabilities on the consolidated balance sheet at year-end 2016 are recognized at their estimated recoverable or cancellable amount.

There are no significant temporary differences arising from investments in subsidiaries, branches, associates or joint ventures that generate deferred tax liabilities.

There are no significant amounts arising from temporary differences associated with retained earnings of subsidiaries in jurisdictions where different tax rates are applied and, therefore, no deferred tax liabilities were recognized in this connection.

Within the composition of the balance of deferred tax assets, the most significant amounts correspond (i) to tax credits derived from tax loss carry forwards still to be offset, (ii) deductions from the quota of the Tax on Spanish Companies in terms of double taxation and investments (other than deduction for export activity) (iii) credits derived from the limitation of the deductibility of financial expenses, mainly from Prisa's fiscal consolidation group 2/91. and (iv) the balance of the sum of the payment of certain Inspection Acts initiated by the Tax Administration which, although being subject to an administrative or judicial procedure, have not been endorsed but have been satisfied. These deferred tax assets were recognized in accordance with the criteria set forth in *"Account policies."*

Included below is the breakdown, in thousands of euros, of the prior years' tax losses of Spanish companies available for offset against future profits, showing the year in which they were incurred.

Year Incurred	2016			2015		
	Amount	Recognized	Not Recognized	Amount	Recognized	Not Recognized
1997	-	-	-	1,036	-	1,036
1998	11,779	-	11,779	17,099	-	17,099
1999	73,928	-	73,928	75,428	-	75,428
2000	63,499	-	63,499	64,741	-	64,741
2001	56,262	-	56,262	57,301	-	57,301
2002	83,983	39	83,944	85,608	39	85,569
2003	46,319	110	46,209	49,113	110	49,003
2004	63,360	255	63,105	65,452	255	65,197
2005	5,433	267	5,166	7,102	267	6,835
2006	5,108	244	4,864	6,365	244	6,121
2007	5,027	-	5,027	5,595	-	5,595
2008	12,026	146	11,880	12,484	145	12,339
2009	8,369	-	8,369	8,547	-	8,547
2010	1,676	-	1,676	1,677	-	1,677
2011	195,065	110,257	84,808	194,307	109,444	84,863
2012	323,846	229,567	94,279	387,934	293,575	94,359
2013	58,849	26,131	32,718	58,979	58,880	99
2014	317	-	317	356	299	57
2015	554,487	-	554,487	639,615	119,424	520,191
2016	70	-	70	-	-	-
Total	1,569,403	367,016	1,202,387	1,738,739	582,682	1,156,057

The breakdown by country of the tax loss carryforwards of the Group's foreign companies is shown below, in thousands of euros:

2016-

Year Incurred	USA	MEXICO	BRASIL	CHILE	ARGENTINA	COLOMBIA	PERU	PUERTO RICO	PORTUGAL	TOTAL
1999	1,100									1,100
2000	4,828									4,828
2001	4,059									4,059
2002	2,351									2,351
2003	3,626									3,626
2004	3,903									3,903
2005	3,823			353						4,176
2006	9,037			1						9,038
2007	6,681	190	160	47						7,078
2008	5,212	580	161	442						6,395
2009	6,601	415	74	510						7,600
2010	6,310	33	63	932	102					7,440
2011	8,575	426	101	904	440					10,446
2012	5,410	757	3,481	1,441	595	1,091			366	13,141
2013	6,592	541	10,699	1,463	1,233				624	21,152
2014	7,243	490	4,983	1,017	1,718	175		458		16,084
2015	3,746	973	969	496	4,449	70	1,073	1,264		13,040
2016		3,070	63	1,103	1,997	2,316	870	1,080	435	10,934
TOTAL	89,097	7,475	20,754	8,709	10,534	3,652	1,943	2,802	1,425	146,391
RECOGNIZED	-	3,426	18,165	7,235	-	1,090	-	-	-	29,916
NOT RECOGNIZED	89,097	4,049	2,589	1,474	10,534	2,562	1,943	2,802	1,425	116,475
Period for offset	20 years	10 years	No limit	No limit	5 years	No limit	4 / No limit	No limit	4, 5 y 6 years	

2015-

Year Incurred	USA	MEXICO	BRASIL	CHILE	ARGENTINA	COLOMBIA	PORTUGAL	TOTAL
2000	4,674							4,674
2001	3,930							3,930
2002	2,277							2,277
2003	3,511							3,511
2004	3,778							3,778
2005	3,699			314				4,013
2006	8,742			1				8,743
2007	6,463	220	165	42				6,890
2008	5,042	878	162	394				6,476
2009	6,387	483	76	453				7,399
2010	6,107	38	61	828	121			7,155
2011	8,300	492	456	803	520			10,572
2012	5,235	877	3,372	1,283	703	1,091	342	12,902
2013	6,379	1,659	8,664	1,306	1,458		624	20,090
2014	7,114	564	4,269	1,026	2,031			15,005
2015	3,918	3,294	978	727	5,259			14,176
TOTAL	85,556	8,505	18,203	7,177	10,092	1,091	966	131,590
RECOGNIZED		3,819	15,539	6,565		1,091	966	27,980
NOT RECOGNIZED	85,556	4,686	2,664	612	10,092		0	103,610
Period for offset	20 years	10 years	No limit	No limit	5 years	No limit	4, 5 and 6 years	

The recovery of the consolidated tax Group's deferred tax assets and liabilities is based on the most recent business plans of its member companies, which have been approved by the Group's management. The tax plan takes into consideration the operational developments of these companies, estimated future cash flows obtained from the remaining companies not members of the consolidated tax Group, as well as other operations such as the repurchase of debt at a discount.

The companies' plans are based on the development of the Group's strategy in the long term and a series of macroeconomic, industry hypotheses for the overall business, in addition to maintaining the leadership position of the Group in the industries in which it operates. Forecasts and studies made by third parties were taken into account during approval.

Projections foresee increases within advertising market, in line with latest available studies and the leadership position of the Group in the different business where it operates. Insofar as businesses which rely heavily on advertising have a high percentage of fixed costs, any increase in advertising revenues will have a positive impact on operating margins.

Additionally, projections include development towards a fundamentally digital model with a higher contribution margin. In addition, cost reductions are foreseen as a result of the adjustment plans that are being carried out in recent years.

Santillana in Spain and Latin America anticipates revenue increases resulting from the renewal of educational content, new digital developments in *UNO y Compartir* and growth initiatives in the field of extracurricular activities, as well as the maintenance of institutional sales.

Finally, efficiency processes on corporate services will continue, which will be reduced in coming years.

Santillana and Radio operation's results in Latin America will contribute to generate future flows within the tax plan, in line with growth expectations foreseen for the countries in which the Group is present.

In addition, revenue is expected to increase with the repurchasing of debt at an average discount estimated on the basis of Prisa's outstanding debt at the end of the year. This debt repurchase will come from the remaining cash fund available at year end, and from company operations.

Once the recoverability analysis was carried out, credits corresponding to deductions for investments for a total amount in the Spanish tax group of EUR 8,367 thousands and negative tax bases of the tax group have been recorded in the Group's balance sheet of fiscal consolidation amounting to EUR 38,000 thousands, generating a higher tax expense. These derecognitions mainly, are a consequence of the measures established by Royal Decree-Law 3/2016, of December 2, which introduce a new limitation, both on the offsetting of tax loss carryforwards, and on the application in the tax charge, of double taxation deductions. Also, as a result of this same tax reform, an increase in tax expense amounting to EUR 19,111 thousand was redeemed, for the minimum integration into five years of the reversion of impairment losses on the representative values of the holding in the capital of entities that would have been fiscally deductible.

The main net additions of the deferred tax asset for the year correspond to the non-deductibility of financial expenses, amounting to EUR 11,056, and the net derecognition mainly correspond to the application and impairment of credits derived from deductions and negative tax loss carryforwards for EUR 21,317 thousands and EUR 53,588 thousands, respectively.

Once the aforementioned adjustment was made, the companies' business plans, together with specific tax planning actions, allow for the recovery within ten years of the deferred tax assets and liabilities recorded in the consolidated balance sheet to December 31, 2016.

c) Years open for review by the tax authorities

The years open for review by the tax authorities for the main taxes vary from one consolidated company to another, although they are generally the last four years, with the exceptions discussed below.

In 2011, checks and investigations were carried out in relation to the rate on raffles, tombolas, bets and random combinations, corresponding to the years 2007 to 2010, in the entity Prisa Televisión, S.A.U. (a company taken over by Promotora de Informaciones, S.A.), which concluded with the issuance of a notice signed on a contested basis from which a determination of EUR 8,570 thousand arose (tax plus interest), against which the Company filed the corresponding appeals and claims. Both the resolution of the TEAC and the Judgment of the National Court were partially estimative and, despite this, the company has filed an appeal to the Supreme Court. Even though the relevant appeals were filed, the tax liability arising from these Notices was paid and recognized as a credit vis à vis the Revenue

Authorities. In previous years, the Tax Administration executed the resolution partially estimating the TEAC and proceeded to return to the company EUR 7,441 thousand.

In 2006, the inspections of 1999, 2000, 2001 and 2002 corresponding to Corporate Income Tax Group 2/91, ended. Against the Settlement Agreements, relating to Corporate Income Tax, derived from the aforementioned inspections, the company filed the pertinent appeals and claims, which have already been resolved by the competent jurisdictions, although, against derivative settlements of the execution by the Tax Administration of the partially estimative judgements of the Supreme Court, relating to the years 1999 and 2000 and of the writ of inadmissibility for 2001, the company filed the corresponding appeals, which are pending resolution in The National Appellate Court.

In the 2010 financial year, the audits for the consolidated Corporate Income Tax corresponding to the 2003 to 2005 financial years were completed, issuing the corresponding Notice that was signed on a contested basis and that includes a settlement amounting to EUR 20,907 thousand (tax plus interest). Against this act, the Company filed the relevant economic-administrative claims and judicial remedies. In the year, the entity has received a partially estimative judgment that has acquired firmness. At the date of preparation of these annual accounts, execution by the Tax Administration is still pending. The tax debt arising from this decision was paid despite the appeal.

The audit relating to VAT from June 2004 to December 2006 concluded with the issuance of a Notice signed on a contested basis amounting to EUR 5,416 thousands, against which the company filed the corresponding claims (the TEAC resolution was partially estimative and generated a refund of EUR 704 thousand) and appeals (the judgment of the National Court was also partially estimative). During the year 2016, the entity has received final judgment from the Supreme Court dismissing the case, and its effect has been recorded in the accounting year 2016. The tax debt derived from this Act, despite being appealed, was satisfied, being recorded, as a long-term credit to the Public Treasury, the discharge of which was commenced in the year (*see note 12*).

In fiscal year 2013, the inspections were completed in the fiscal Consolidation Group for Corporate Income Tax for the years 2006 to 2008, with the initiation of a Non-Conformity Act to the sum of EUR 9 thousand, which was satisfied by the Company, although it did not agree with the criteria maintained by the inspection in the proposed regularization, and filed an administrative economic claim with the TEAC. As of the date of preparation of these annual accounts, a partial resolution of the TEAC has been received, against which the corresponding administrative and judicial appeal will be filed before the National Appellate Court. The settlement agreement included the regularization, by the Inspection, of the entire amount of the deduction for export activity generated in that period.

The audit relating to corporate income tax for the 2008 financial year for Sociedad Española de Radiodifusión, S.L. concluded with the issuance of a Notice for the sum of EUR 219 thousands, which was paid. In response to this administrative act, the Company filed a corresponding Administrative Economic Claim before the TEAC. At the date of preparation of these annual accounts, a rejection has been received from the TEAC, against which the Corresponding contentious-administrative appeal before the National Appellate Court will be filed.

With respect to Value Added Tax for the period June 2007 to December 2008, verification procedures were completed in 2013, with the initiation of two Acts, one to the sum of EUR 539 thousands, and another to the sum of EUR 4,430 thousands, which have been the subject of economic and administrative claims before the TEAC. As of the date of preparation of these annual accounts, a partial resolution has been received from the TEAC. The tax debt derived from these Proceedings has been satisfied, being recorded as a long-term credit against the Public Treasury, the discharge of which has been commenced in the year, by recording for its effect (*see note 12*).

During the 2013 financial year, partial tax audits began on corporate income tax for the 2008 financial year of the tax consolidation group 225/04, whose parent, for that financial year, was Sociedad Dédalo Grupo Gráfico, S.L. These proceedings concluded with the issuance of a notice signed on a contested basis, without giving rise to any payment to be made, in which the deferred tax assets for future financial years generated before Sociedad Dédalo Grupo Gráfico, S.L. (a dependent company in that tax year, which separated from the tax group in 2012) entered the Group, were adjusted in an amount of EUR 10,167 thousands. The Company, which did not support the audit criterion, submitted the corresponding Economic-Administrative Appeal before the TEARM, and it is currently pending resolution. Similarly, as a result of this adjustment, the Company was fined in an amount of EUR 1,525 thousands, against which the corresponding economic-administrative appeal has been filed, which is pending resolution by the TEARM.

In the 2014 financial year, tax audits began of tax consolidation group 2/91, of which Promotora de Informaciones is the parent company, and of tax consolidation group 194/09, of which Prisa Radio, S.A. was the parent company for corporate income tax for the financial years 2009 to 2011. This audit also included VAT for the period from May 2010 to December 2011 of tax consolidation group 105/08 of which Promotora de Informaciones, S.A. is the parent company, and personal income tax withholdings and repayments (employees and professionals) from May 2010 to December 2012 and non-resident income tax withholdings corresponding to period 2011.

In the fiscal year 2016, the inspections referred to in the previous paragraph were completed. As of results of these actions, an Act of Compliance was signed for the sum of EUR 512 thousands, relating to VAT, which was paid and registered in the year and another, in Non-compliance, for EUR 7,785 thousands, which, although appealed against, has also been paid and recorded as a credit in the form of an advance, the discharge of which has commenced in the financial year, by recording for its effect (*see note 12*).

Similarly, the inspection actions corresponding to the Corporate Income Tax for the years 2009 to 2011 of both groups of fiscal consolidation have been completed, resulting, for Promotora de Informaciones, S.A., in the signing of an Act of Non-Compliance with no result to be entered and whose accounting impact has generated the recording of a net income for Corporate Income Tax, amounting to EUR 4,779 thousands and for the companies forming part of the Fiscal Consolidation Group of Prisa Radio, SA, the signing of another Act of Non-Compliance, which has generated the registration of a net expense for Corporate Income Tax amounting to EUR 208 thousands, which has been paid. The Company has filed a corresponding economic-administrative complaint with the TEAC disagreeing with these Assessments, which is pending resolution.

Promotora de Informaciones, SA, assessing the existence of the Supreme Court's dismissal decision (relating to the inspection for the years 2004 to 2006 related to VAT), has proceeded to record the overall equity effect derived from said the Judgment, recognizing and recording expenses of EUR 18,276 thousands.

The provision for taxes (*see note 12*) amounts to EUR 26,805 thousands to cover, mainly, the impact of the potential unfavorable pronouncements estimated in the different tax proceedings, previously related.

The Company considers that it is unlikely that any additional material contingencies will arise from these judicial proceedings or a tax audit of the returns open to examination.

18) ALLOCATION OF RESULTS

The proposal for the allocation of the loss of Promotora de Informaciones, S.A. for 2016 is as follows (in thousands of euros):

	Amount
Basis of appropriation	
Loss for the year	(1,298)
Distribution-	
Prior year losses	(1,298)

19) EARNINGS PER SHARE

Basic earnings/(loss) per share was calculated by dividing the profit/(loss) for the year attributable to equity holders of the Parent by the weighted average number of ordinary shares in circulation during the period.

The impact on the number of ordinary shares of the share subscription rights (warrants) is dilutive, although its impact on diluted earnings per share is not significant, keeping the same level as the basic earnings per share.

The basic earnings (loss) per share attributed to equity holders of the Parent corresponding to continuing and discontinued operations in 2016 and 2015 were the following:

	Thousands of euros	
	12/31/2016	12/31/2015
Profit/(loss) for the year from continuing operations attributable to the Parent	(67,563)	7,978
Profit/(loss) after tax from discontinued operations attributable to the Parent	(296)	(2,684)
Profit/(loss) for the year attributable to the Parent	(67,859)	5,294
Weighted average number of ordinary shares outstanding (thousands of shares)	77,963	72,104
Basic earnings/(loss) per share of continuing operations (euros)	(0.87)	0.11
Basic earnings/(loss) per share of discontinued operations (euros)	0.00	(0.04)
Basic earnings/(loss) per share (euros)	(0.87)	0.07

In 2015, considering the same weighted average number of ordinary shares outstanding than in 2016, basic loss per share of continuing operations was 0.10 euros and of the discontinuing operations was 0.03 euros.

Weighted average number of ordinary shares outstanding in 2016 and 2015:

	Thousands of shares	
	2016	2015
Ordinary shares at December 31	78,336	71,936
Share capital increases	-	508
Weighted average of treasury shares	(373)	(340)
Weighted average number of ordinary shares outstanding for basic earnings per share	77,963	72,104

20) RELATED PARTY TRANSACTIONS

The detail of the balances receivable from and payable to associates and related parties in 2016 and 2015 is as follows:

	12/31/2016		12/31/2015	
	Group employees, companies or entities	Significant shareholders	Group employees, companies or entities	Significant shareholders
Trade receivables	2,618	6,425	3,885	2,116
Receivables- loans	13,482	-	11,913	36,343
Total receivables	16,100	6,425	15,798	38,459
Trade payables	1,609	4,354	2,922	5,544
Payables- loans	28	533,123	10	648,095
Total payables	1,637	537,478	2,932	653,639

Balance with Group employees, companies or entities-

Receivables loans mainly include the credit granted by Prisa Noticias, S.L. to Le Monde Libre Société en Commandite Simple, in the net amount of EUR 9,070 thousand and the loans granted by Sociedad Española de Radiodifusión S.L. to Green Emerald Business Inc and W3 Comm Concesionaria, S.A. de C.V. in the amount of EUR 2,848 thousand.

Balance with significant shareholders-

The aggregate amount of EUR 6,425 thousand mainly included the amounts pending of collection for advertising services of Prisa Group companies to Banco Santander, S.A., Caixabank, S.A. y Telefónica, S.A.

The aggregate amount of EUR 537,478 thousand is mainly accounted the loans granted to Prisa Group companies by:

- Banco Santander, S.A. amounting to EUR 18,668 thousand (EUR 9,629 thousand at December 31, 2015).
- Caixabank, S.A. amounting to EUR 57,849 thousand (EUR 67,232 thousand at December 31, 2015).
- HSBC Holding, PLC amounting to EUR 456,606 thousand (EUR 542,775 thousand at December 31, 2015).

The transactions performed with related parties in 2016 and 2015 were as follows (in thousands of euros):

	12/21/2016			12/31/2015		
	Directors and executives	Group employees, companies or entities	Significant shareholders	Directors and executives	Group employees, companies or entities	Significant shareholders
Services received	90	543	7,731	90	135	11,230
Finance expenses	-	1,248	15,671	-	1,125	18,462
Leasing	-	946	3,244	-	931	1,160
Other expenses	8,743	152	917	13,289	168	3,610
Total expenses	8,833	2,889	27,563	13,379	2,359	34,462
Finance income	-	1,060	37	-	1,329	105
Dividends received	-	4,551	-	-	2,287	-
Provision of services	-	2,322	6,887	-	2,685	10,476
Other income	-	-	931	-	-	1,239
Total revenues	-	7,933	7,855	-	6,301	11,820

All related party transactions have taken place under market conditions.

Transactions between with Directors and executives -

The aggregate amount of EUR 8,743 thousand relates to the accrued salaries of directors for an amount of EUR 5,227 thousand (*see note 21*) and executives for an amount of EUR 3,516 thousand.

Senior management compensation

The total aggregate compensation of members of senior management in 2016, of Promotora de Informaciones, S.A. and other companies in the Group amounts to EUR 3,516 thousand (EUR 6,597 thousand in 2015).

This compensation is the accounting reflection of the overall compensation of executives and therefore do not match with the remuneration accrued in 2016 that is included in the Annual Report of Corporate Governance in which is followed the criteria required by the CNMV in the "Circular 7/2015 of the CNMV" and, by references, in the "Circular 4/2013 of the CNMV, whereby the model of annual report remuneration of directors is established", which is not the accounting provision basis.

The aggregate compensation of the managers is the compensation of members of senior management, that being understood to be the members of the Business Management Committee that are not executive directors and have an employment relationship with Prisa and other companies in the Group and, furthermore, the internal audit manager of Promotora de Informaciones, S.A. Specifically, it is that of the following managers: Mr. Fernando Martínez Albacete, Mr. Antonio García-Mon, Ms. Bárbara Manrique de Lara, Ms. Noelia Fernández Arroyo, Mr. Miguel Ángel Cayuela Sebastián, Mr. Andrés Cardó Soria, Mr. Manuel Mirat Santiago, Mr. Ignacio Soto Pérez, Ms. Rosa Culler and Ms. Virginia Fernández.

The remuneration of Mr Antonio Alonso Salterain until his resignation as Chief Revenue Officer, in June 2016, is also included within the total compensation of senior management. It has been included the remuneration of Mr. Ignacio Soto from his appointment as Chief Revenue Officer, in July 2016.

The total aggregate remuneration of the members of senior management includes, inter alia:

- Annual variable compensation (bonus): reflection of the amount corresponding to theoretical annual variable compensation of the executives if management objectives are achieved. However, since this compensation is subject to achievement of the management objectives at the end of the year 2016, the accounting figure in no way constitutes acknowledgment that that variable compensation has accrued, which will occur, if at all, once the year is closed and the annual accounts of the Group are prepared, based on the level of achievement of the established objectives.
- Regularization of 2015 bonus paid in April 2016.
- Long-term variable (ILP) approved by the Ordinary Shareholders' Meeting held on April 28, 2014, payable in the year 2017 into ordinary shares of the Company and cash: in 2016, the expenditure corresponding to those managers who have met the management objectives has been recorded in an amount of EUR 196 thousand, and the part of those managers who have not met these objectives has been reversed in an amount of EUR 930 thousand.

Transactions between Group employees, companies or entities-

The aggregate amount of EUR 2,889 thousand is mainly includes the expenditure derived from the leasing of frequencies of radio with companies and financial expense for the impairment of the credit granted to Le Monde and to Green Emerald Business Inc.

The aggregate amount of EUR 4,551 thousand is mainly accounted for by dividends received by Sociedad Española de Radiodifusión, S.L. from its stake in Sistema Radiópolis, S.A. de C.V.

The aggregate amount of EUR 1,060 thousand includes the financial income registered by the companies of the group, derived from loans granted to entities accounting for using the equity method.

Finally, the aggregate amount of EUR 2,322 thousand mainly includes the income received by Radio in Spain from provision of technical assistance and advisory services and the income for sale of newspapers to Kioskoymás, Sociedad Gestora de la Plataforma Tecnológica, S.L.

Transactions between with significant shareholders -

The aggregate amount of EUR 7,855 thousand mainly consists of income of Prisa Group companies for advertising services with Banco Santander, S.A., Caixabank, S.A. and Telefónica, S.A.

The aggregate amount of EUR 27,563 thousand mainly consists of expenditure on telephony and internet by Prisa Group companies with Telefónica, S.A., the expense by the leasing of offices in Tres Cantos with Telefónica, as well as interest accruing on credits granted by major shareholders to Prisa Group companies.

The detail of other transactions performed with related parties in 2016 and 2015 is as follows (in thousands of euros):

	12/31/2016			12/31/2015	
	Significant shareholders	Group employees, companies or entities	Other related parties	Significant shareholders	Group employees, companies or entities
Financing agreements: loans granted	-	253	-	-	2,505
Financing agreements: loans received	6,000	-	-	17,500	-
Financing agreements: capital contributions	-	-	-	64,000	-
Other transactions	102,692	-	1,000	70	-

Other transactions with significant shareholders-

The amount of EUR 6,000 thousand corresponds to a new credit facility with Banco Santander.

The amount of EUR 102,692 thousand correspond to the subscription of a mandatorily bond convertible into newly issued ordinary shares of Prisa, by HSBC Bank Plc., Caixabank, S.A. and several companies of Grupo Santander, through the conversion of financial debt (EUR 100,742 thousand) and the interests accrued since the time of issuance (EUR 1,950 thousands) (see note 10c).

Other transactions with other related parties-

On December 2016, a statement of intent had signed by Fundación Santillana, Prisa and Prisa Noticias, S.L., under which, subject to obtaining the authorizations, Fundación Santillana sells to Prisa Noticias, S.L. its shares of Diario El País, S.L. and Ediciones El País, S.L. These stakes are classed as “founders’ stakes” and confer a raft of special voting rights. In accordance with the valuation of an independence third party, the sale-purchase price is EUR 3,000 thousands.

In connection with this agreement, in 2016 Prisa has paid to the Fundación Santillana, on behalf of Prisa Noticias, S.L., a first payment of EUR 1,000 thousand.

21) REMUNERATION AND OTHER BENEFITS OF DIRECTORS

In 2016 and 2015, the consolidated companies registered the following amounts in respect of remuneration to Prisa's Board members:

	Thousands of euros	
	12/31/2016	12/31/2015
Fixed remuneration	2,210	2,210
Variable remuneration	978	2,411
Attendance fees	515	392
Bylaw-stipulated directors' emoluments	1,444	1,330
Other	80	349
Total	5,227	6,692

Regarding the 2016 financial year:

i) The overall compensation of the Board of Directors includes the remuneration of Ms. Arianna Huffington, Ms. Agnes Noguera Borel, Mr. Borja Pérez Arauna and Mr. Claudio Boada Pallerés, until they ceased as directors in 2016.

ii) The aggregated remuneration of directors reflected in the table above corresponds to the accounting provisions made in the income statement of Promotora de Informaciones, S.A. (Prisa) and other companies of its Group and consequently it corresponds to the the accounting provisions registered in the profit and loss account.

iii) Therefore the compensation included in the table above, do not match, in some respects, with the remuneration accrued in 2016 that is included in the Annual Remuneration Report of the Directors (IR) and in the Annual Report on Corporate Governance (IAGC), in which is followed the criteria required by the CNMV in the "Circular 4/2013 of the CNMV, whereby the model of annual report remuneration of directors is established", which is not the accounting provision basis.

iv) Items included in the variable remuneration of directors in the above table and the differences with the amounts declared in the IR and the IAGC, are the following:

- Annual variable compensation (bonus): accounting provisions of the amount corresponding to theoretical annual variable compensation of the directors if management objectives are achieved. However, since this compensation is subject to achievement of the management objectives at the end of the year 2016, the accounting figure in no way constitutes acknowledgment that that variable compensation has accrued, which will occur, if at all, once the year is closed and the annual accounts of the Group are prepared, based on the level of achievement of the established objectives.
- Regularization of 2015 bonus paid in April 2016.
- Multi-year variable incentive of the Executive President, Mr. Juan Luis Cebrían Echarri, payable in shares of Prisa for the period 2016-2018, subject to the fulfilment of the strategic objectives to be set by the Board of Directors: the above table includes the

accounting expenses recorded in the income statement of 2016 in the amount of EUR 500 thousand. In the Annual Report on Remuneration of Directors, no amount has been included within the remuneration accrued in the year 2016.

- The following compensations of the Executive Chairman, Mr Juan Luis Cebrián Echarri, settled in shares in 2016, are not included in the table above because the corresponding accounting expenses were recorded in the income statement of previous years:
 - Variable multiyear incentive (settled in shares in April 2016). Notwithstanding the regularization made after the settlement of this compensation in a lower amount of EUR 157 thousand, is included in the table above.
 - 2013 annual variable remuneration (which was partially paid in cash in the year 2014 and with Prisa shares in February 2016, according to the terms of his contract).

v) In relation to the long-term variable remunerations of the executive directors Mr Jose Luis Sainz and Mr Manuel Polanco Moreno, the corresponding provision has been reversed in 2016, since the objectives established have not been met in an amount of EUR 705 thousand.

vi) Also under "Other" are not included the EUR 90 thousand received by the director Mr. Gregorio Marañón y Bertran de Lis for the rendering of legal services, but this amount is included in the tables of section D of the Annual Report on Remuneration of Directors.

Information about this transaction is included in note 20 "*Related party transactions*" of this report.

vii) No other credits, advances or loans occurred, nor were pension obligations incurred, in respect of the Board of Directors during 2016.

Information regarding conflict of interest situations of directors-

For purposes of article 229 of the Capital Companies Act it is noted that, as at the end of 2016, the Board of Directors had not been advised of direct or indirect conflict situations that directors or persons related thereto (in accordance with article 231 of the aforesaid Act) might have had with the interests of the Company.

Notwithstanding the foregoing, the Board of Directors has been informed by the Directors of the following activities carried out by them or by certain persons related thereto, in companies engaged in activities of the same or an analogous or complementary kind as the one constituting the purpose of the Company or the companies in its Group:

Director	Activity	Person related to the Director	Activity
Juan Luis Cebrián Echarri	Director of the following companies: Le Monde, Le Monde Libre and Societe Editrice Du Monde.		
Gregorio Marañón	Chairman of Universal Music Spain,		

Director	Activity	Person related to the Director	Activity
	S.L.		
Manuel Polanco Moreno	Joint and Several Director of Canal Club de Distribución de Ocio y Cultura, S.A.		
John Paton	Director of Guardian Media Group.		
José Luis Leal Maldonado	0.05% interest in the share capital of Punto y Seguido, S.A.		
Alain Minc	Director of Caixabank, S.A. (significant shareholder of Prisa and one of the Prisa creditor banking institutions with which the Company's refinancing was signed).	Son	Director of Development and Investments of the Lagardère Group's innovation network.
Joseph Oughourlian	<i>See note below (*)</i>		
Shk. Dr. Khalid bin Thani bin Abdullah Al-Thani	Vice Chairman de Dar Al Sharq Printing Publishing & Distribution Co. Vice Chairman de Dar Al Arab Publishing & Distribution Co.		
Glen Moreno	Senior Advisor for Financial Institutions at HSBC (significant shareholder of Prisa and one of the PRISA creditor banking institutions with which the Company's refinancing was signed). Holder of 30,000 ordinary shares (represented by ADRs) of Pearson Plc.		
Dominique D'Hinnin	0.1% interest in the share capital of Lagardère SCA.		

(*) Mr. Joseph Oughourlian controls Amber Capital, its affiliates and subsidiaries (together "Amber Capital"), which act as investment manager, general partners, managing members and managers to funds, accounts, and other investment vehicles (together, the "Amber Funds") that invest in public and private companies in Europe, North America and Latin America, which includes trading in entities with activities the same, similar or complementary to Prisa. Mr. Oughourlian also act as a managing partner to Amber Capital and as a portfolio manager to various Amber Funds.

The companies in the Prisa Group are not included in this list. As already indicated in the Annual Corporate Governance Report of the Company, the following Directors of Promotora de Informaciones, S.A. are members of management bodies of certain companies in the Prisa Group: Juan Luis Cebrián Echarri, José Luis Sainz Díaz, Manuel Polanco Moreno and John Paton.

22) GUARANTEE COMMITMENTS TO THIRD PARTIES

At December 31, 2016, the companies of Grupo Prisa had furnished bank guarantees amounting to EUR 72,194 thousand. For this amount, EUR 50,000 thousand correspond to the litigation for football rights of Audiovisual Sport, S.L.

Additionally, in March 2014, Grupo Santillana Educación Global, S.L. signed a guarantee with Banco ITAU in respect to the sale of the trade publishing business for an amount of EUR 7,129 thousand. This guarantee ensures the payment of any amount claimed under the agreement of the sale of Penguin Random House Grupo Editorial, S.A.

The Company's directors do not consider that significant impacts in the financial statements of the Group will arise from the guarantees provided.

23) FUTURE COMMITMENTS

The Media Capital Group have entered into purchase and sale agreements with various suppliers for future program broadcasting rights. These commitments partially cover the Media Capital Group companies' programming needs in the years indicated.

By virtue of an agreement entered into with Indra on December 22, 2009, Prisa assumed payment commitments totaling EUR 267,225 thousand with this company for seven years. During the term of the contract there have been changes in scope (affecting the service in Latin America and Spain) and certain criteria have been modified in the billing. As a result of these changes, the amount of future commitments initially agreed has been modified.

The amount invoiced during 2010-2016 has amounted to EUR 180,377 thousand and the estimated commitments for 2017 amount to EUR 19,241 thousand.

Future commitments also included the amounts derivate for the agreement reached in November 2013 with 3i Group, plc. for purchase by Prisa Radio, S.A. of 3i Group plc treasury shares. The liabilities derived from this operation are registered in "*Other non-current liabilities*" and "*Other non-trade payables*" for an amount of EUR 37,984 thousands and EUR 2,469 thousands, respectively in the accompanying consolidated balance sheet at December 31, 2016 (EUR 36,836 thousands and EUR 2,676 thousands, respectively at December 31, 2015).

At December 31, 2016, the Group had euro and foreign currency payment obligations and collection rights for a net amount payable of approximately EUR 76,838 thousand. This amount not includes the future commitments derived by the operating leases, which are detailed in note 15. The net amounts payable in relation to these obligations fall due as follows:

Year	Thousands of euros
2017	36,485
2018	3,854
2019	35,924
2020	552
2021	-
2022 and subsequent years	23
	76,838

The obligation to pay the amounts agreed upon in the purchase agreements arises only if the suppliers fulfil all the contractually established terms and conditions.

These future payment obligations were estimated taking into account the agreements in force at the present date. As a result of the renegotiation of certain agreements, these obligations might differ from those initially estimated.

Past-due payments to creditors-

The information required by the third additional provision of Law 15/2010, of 5 July (amended by the second final provision of Law 31/2014, of 3 December) approved in accordance with the resolution of ICAC (Spanish Accounting and Audit Institute) of 29 January 2016, in relation to the average period of payment to suppliers in commercial operations, is as follows:

	31.12.2016	31.12.2015
	Days	
Average period of payment to suppliers	82	82
Ratio of settled transactions	80	82
Ratio of transactions pending payment	101	83
	Amount (thousands of euros)	
Total payments made	364,428	379,562
Total pending payments	49,925	59,020

To calculate the average period of payment to suppliers, the payments made in each period for commercial operations corresponding to the delivery of goods or service provisions are taken into account, as well as the amounts for these operations pending liquidation at year

end 2015 that are included under "*Trade payables*" of the attached consolidated balance sheet, referring only to the Spanish entities included in the consolidated group.

"*Average period of payment to suppliers*" is understood to mean the period from the delivery of the goods or provision of the services by the supplier to the eventual payment of the transaction.

The maximum legal period of payment applicable in 2016 and 2015 under Law 3/2004, of 29 December, for combating late payment in commercial transactions, is 60 days. The average period of payment to the Group's suppliers exceeds the statutory maximum period partially on account of agreements arrived at with suppliers to defer payments or, where relevant, to initiate expenditure.

24) ONGOING LITIGATIONS AND CLAIMS

On 24 July 2006 Audiovisual Sport, S.L. ("AVS"), Sogecable, S.A.U. (now Prisa), TVC Multimedia, S.L. and Mediapro, S.L. ("Mediapro") reached an agreement for the exploitation of the Football League rights for the 2006/07 season and subsequent seasons. The main object of this agreement was to maintain the televised football exploitation model that had allowed, under AVS' coordination, the broadcasting of all League matches in a peaceful, stable and orderly manner since 1997.

In that agreement, the parties agreed to provide AVS with all agreements governing the rights of various football Clubs for their joint exploitation by the latter company. In addition, it was also agreed to sell to Mediapro the rights for the exploitation of free view television and the exploitation rights in international markets, as well as Mediapro's entry into AVS's share capital.

Following Mediapro's repeated breaches of the agreement from the moment immediately following its signature, and its failure to pay the amounts owed to AVS, the latter filed a lawsuit against Mediapro on July 3, 2007, which was extended on July 31, 2007.

On September 28, 2007 Mediapro replied to the claim and issued a counter-claim against the other signatories of the agreement of July 24, 2006, claiming that it was void.

On October 8, 2007 Madrid Court of First Instance no. 36 granted the interim measures (*injunctive relief*) requested by AVS against Mediapro, holding that the First Division Clubs' rights relating to the 2007/2008 season to which the application for interim measures related belonged to AVS, and also resolving that "Mediapro be forbidden, during the 2007/08 football season, to make any disposal of exploitation of the audiovisual rights assigned to AVS, except for any legitimate use of said rights further to the legal relationship arising from the Agreement of July 24, 2006".

In compliance with the said order, AVS submitted to the Court a guarantee for the sum of EUR 50 million thousands to secure compliance with its contractual obligations. The order of October 8, 2007 was revoked by the Provincial Court of Madrid in July 2008, and the above mentioned guarantee remains at the disposal of the Court of First Instance until the end of the proceedings for the settlement of damages.

Once the January 9, 2015 judgment became final (as explained below), on September 14, 2015 Mediapro requested that the suspension be lifted and that the proceeding in relation to the interim measures of October 8, 2008 continue. With a judicial order of September 28, 2015, the Court agreed to proceed with the proceedings and, considering the Supreme Court ruling, requested a court-appointed expert to determine the amount of possible damages arising from the adoption of the interim measures, granting a term until February 2017 in which to do so. As a guarantee in that proceeding, the AVS's EUR 50 million thousands security remains in deposit at the Court.

In its judgment of March 15, 2010, the Court fully upheld the claim filed by AVS en July, 2007, dismissing the counter-claim brought by Mediapro against AVS, Prisa and TVC. In its judgment, the Court ordered Mediapro to pay AVS more than EUR 95 million by way of outstanding amounts owed to AVS under the provisions of the agreement of July 24, 2006, as well as by way of damages arising from the above mentioned breaches. The judgment also ordered Mediapro to provide AVS with the contracts concluded by the latter with the football clubs and to inform them of the assignment of those contracts in favour of AVS.

Mediapro appealed against this judgment, and AVS requested its provisional enforcement on June 9, 2010. In an order issued on June 21, 2010, the Court dispatched the enforcement requested, although the enforcement was suspended following the application and subsequent declaration of Mediapro's bankruptcy, which is being dealt with by Barcelona Commercial Court number 7 (bankruptcy number 497/2010).

In a ruling dated November 14, 2012, the Provincial Court of Madrid essentially confirmed the lower court's judgment, finding in favour of Mediapro's appeal only with regard to the length of the contract of July 24, 2006, which it declared terminated at the end of the 2008/2009 season.

AVS filed an appeal to the highest instance (The Supreme Court), alleging a procedural infringement against the said judgment. The Supreme Court, in its judgment dated January 9, 2015, partially admits the first argument of the Mediapro appeal for procedural infringement and condemns Mediapro to pay AVS EUR 32 million plus interests (amounts that were duly satisfied during the 2015 tax year).

The Supreme Court judgment enters into the question not solved in the Provincial Court of Madrid in relation to the claim of nullity of the clause fifth of the Agreement dated July 24, 2006. The Supreme Court declares that the ruling of the *Audiencia Nacional* dated May 22, 2013, which is firm and confirms the Ruling of the CNMC dated April 14, 2010 that declares the nullity of the clause fifth of the Agreement dated July 24, 2006, is contrary to article 1 of the LDC and article 1 of the TFUE. The consequence is the entire nullity of the Agreement. Moreover, the ruling extends the effects of such nullity to the clause fifth of the Agreement, since all clauses of the agreement tried to restring the competition.

Afterwards, on June 20, 2016 AVS filed a complaint against Mediapro seeking compensation for damages sustained by AVS as a result of Mediapro's unlawful use of its audiovisual rights during the 2007-08 and 2008-09 seasons. Given the fact that the agreement of July 24, 2006 was declared null and void by the Supreme Court and given that during the 2007-08 and 2008-09 seasons Mediapro and AVS commercialized and exploited the audiovisual rights of certain First and Second Division soccer clubs that the clubs had assigned individually and

exclusively to either AVS or Mediapro, AVS has filed a complaint in the Barcelona courts seeking to recover from Mediapro the net profits unduly obtained by Mediapro for the exploitation of the audiovisual rights of those clubs whose rights were held by AVS, minus the net profit unduly obtained by AVS from exploitation of the rights of the clubs held by Mediapro. The complaint was accompanied by an expert opinion concluding that the difference between the net profits unduly obtained by AVS and Mediapro shows a balance in AVS's favor in the amount of EUR 85,117 thousands, that is the amount that AVS is seeking for in the complaint filed on June 20, 2016. Mediapro duly answered the complaint, raising a *res judicata* defence as its principal procedural position and presenting an expert opinion to counter the conclusions of the expert opinion presented by AVS, and Barcelona Court No. 37 scheduled the previous hearing for January 29, 2017. At that hearing the Judge of Court No. 37 set the trial for June 7, 2017.

On the other hand, a complaint was filed on May 12, 2016 at the Civil Trial Court in Colmenar Viejo in which Mediaproducción, S.L.U. and Imagina Media Audiovisual (the "Plaintiffs") have petitioned the court to find AVS and DTS jointly and severally liable for payment of the compensation sought (EUR 89,739 thousands). Plaintiffs allege that Mediapro was forced into proceedings in which it was declared insolvent, having been deliberately placed in a situation of imminent insolvency given that on June 16, 2010 (i) Mediapro was informed that AVS had petitioned the court for the provisional enforcement of the judgment of March 15, 2010 ordering Mediapro to pay AVS EUR 104.6 million and (ii) DTS sent Mediapro a letter announcing that it would not continue to comply with the June 4, 2009 contract for the exploitation of audiovisual rights for the League and Cup soccer matches during the 2009-2010, 2010-2011 and 2011-2012 seasons if Mediapro did not provide a bond guaranteeing that if Mediapro failed to fulfill its obligations, Mediapro would proceed to reimburse DTS for the amounts already delivered (thus, DTS announced that it would not pay the EUR 91,200 thousands that it owed under the contract). According to Mediapro, the petition for execution of judgment, together with DTS's concerted breach of the June 4, 2009 contract undermined the basis on which Mediapro's financial institutions had been willing to provide Mediapro with the amounts required to satisfy the compensation demanded by AVS.

Given its imminent insolvency due to the impossibility of paying the compensation and being unable to negotiation an agreement with its financial institutions, on June 16, 2010 Mediapro commenced proceedings to be declared insolvent. In view of the above, Mediapro considers that AVS and DTS intentionally provoked its insolvency and (based on an expert opinion provided) deems the damages incurred by Mediapro and the Imagina Group amount to EUR 89,739 thousands, as a consequence of the declared insolvency.

Both DTS and AVS duly answered Mediapro's complaint, and their pleadings were declared admissible at the First Instance Court No. 82 of Madrid, which scheduled the pretrial hearing for May 25, 2017.

On the other hand, the contract for the sale of shares concluded between the member Televisió de Catalunya Multimedia, S.L., Televisió de Catalunya, S.A., Prisa and AVS on October 15, 2009 also provided for the abandonment of all ongoing court cases in which any of these companies or their legal representatives were parties as defendants. At present, those cases have been abandoned but the said contract is still awaiting the authorisation of the *Generalitat de Catalunya* Government, as its effectiveness was made subject to such authorisation.

Finally, Prisa is engaged in a dispute with Indra Sistemas, S.A., (“Indra”) as a consequence of Indra’s attempt to unilaterally terminate the Framework Contract of December 22, 2009 to outsource all services related to information technology management and development of R&D+innovation projects (hereinafter, the “Contract”), given that Indra’s termination is unlawful since there has been no material breach of the obligations undertaken in the Contract on the part of Prisa, nor any form of breach that would frustrate the objectives of the Contract.

In consequence, in July, 2016 Prisa filed a provisional remedies petition demanding that Contract Clause 7.3 be applied and seeking injunctive relief prohibiting the defendant Indra from interrupting or terminating the fulfillment of its obligations under the Contract prior to the end of the term stipulated in Clause 6, that is, prior to December 31, 2017.

In these judicial proceedings, a hearing was held on July 15, 2016, after which on July 20, 2016 an order was issued granting Prisa the interim relief sought and prohibiting defendant Indra from interrupting or terminating the fulfillment of its obligations under the Contract prior to the term stipulated therein, that is, prior to December 31, 2017.

As security for the remedy sought, a bond was posted in cash in the amount of EUR 3,788 thousands, duly deposited in the Court account.

Prisa subsequently commenced ordinary civil proceedings no. 941/2016 at First Instance Court No. 69 in Madrid, as indicated in the application for injunctive relief. In this principal proceeding the declared amount in controversy is EUR 22,728 thousands and, in summary, seeks to have the unilateral termination of the Contract declared unlawful, that it should continue in force until the end of the agreed term of December 31, 2017, and that the conditions applicable thereunder are the same as those previously applied from 2012 through 2015.

In other respects, Indra commenced ordinary civil proceedings no. 848/2016 against Prisa at First Instance Court No. 4 in Madrid. In these proceedings Indra is seeking to have its May 25, 2016 unilateral termination of the Contract declared lawful, that Prisa be held responsible for the consequences of said termination of contract, and that Prisa has incurred in other instances of breach of contract in addition to those alleged as causes for early termination. Indra is demanding a total of EUR 49,951 thousands.

Prisa filed its answer to that complaint on January 16, 2017, first claiming that its pending proceeding no. 941/2016 described above should result in the suspension of Indra’s proceeding no. 848/2016 until the end of the proceeding underway at Court No. 69 (proceeding no. 941/2016), in addition to raising defenses to all of the allegations contained in the complaint.

Indra has applied for joinder of its claim in the proceeding being heard in Court No. 69 in Madrid in a petition filed at that court, which Prisa has opposed and which is currently pending the court’s decision.

The Company’s Directors, internal and external legal advisors do not believe that resolution of this litigation will entail any relevant liabilities not registered by the Company.



In addition, the Company has other litigation for smaller amounts. The Directors, internal and external advisors do not consider that any relevant liabilities will arise from this litigation.

25) EVENTS AFTER THE BALANCE SHEET DATE

No significant events have occurred since December 31, 2016 until the date of approval of these consolidated financial statements.

26) EXPLANATION ADDED FOR TRANSLATION TO ENGLISH

These consolidated financial statements are presented on the basis of IFRSs as adopted by the European Union. Certain accounting practices applied by the Group that conform to IFRSs may not conform to other generally accepted accounting principles.

COMPANY	REGISTERED OFFICE	LINE OF BUSINESS	COMPANY HOLDING THE OWNERSHIP INTEREST	December 2016	
				PERCENTAGE OF OWNERSHIP	TAX GROUP (*)
EDUCATION					
<i>Edi. Consolidación</i>					
Activa Educa, S.A. (Guatemala)	26 Avenida 2-20 zona 14. Guatemala – Guatemala	Publishing	Grupo Pacifico S.A. (Panama)	98.85%	
Avalúa Qualidade Educacional Ltda.	Rua Padre Adelino, 758. Belém, São Paulo, Brazil	Publishing	Santillana Educación, S.L.	1.15%	
Distribuidora y Editora Richmond, S.A.	Edificio Pumbo 99, Carrera 11* N°98-50 Oficina 501. Bogotá, Colombia	Publishing	Iteca, S.L.	100.00%	1 acción
Ediciones Grazeleme, S.L.	Rafael Beca Mateos, 3, Sevilla	Publishing	Santillana Educación, S.L.	94.90%	
Ediciones Santillana Inc.	1506 Roosevelt Avenue, Guaynabo, Puerto Rico	Publishing	Iteca, S.L.	4.86%	
Ediciones Santillana, S.A. (Argentina)	Leonardo N. Alem, 720. Buenos Aires, 1001. Argentina	Publishing	Ediciones Voramar S.A.	0.10%	
Ediciones Santillana, S.A. (Uruguay)	Juan Manuel Blanes 1132 Montevideo Uruguay	Publishing	Ediciones Obrador, S.L.	0.10%	
Ediciones Obrador, S.L.	Rueda de Entrecercos, 2 2º B. 15705. Santiago de Compostela	Publishing	Ediciones Grazeleme, S.L.	0.10%	
Ediciones Voramar S.A.	Valencia, 44. 46210. Pineda, Valencia	Publishing	Santillana Educación, S.L.	99.98%	2/91
Editora Moderna Ltda.	Rua Padre Adelino, 758. Belém, São Paulo, Brazil	Publishing	Iteca, S.L.	0.02%	
Editora Pinaragua, LTDA	Rua Urbano Santos, 755. Sala 4. Bairro Cumbica. Cidade de Guarulhos, São Paulo, Brazil	Publishing	Santillana Educación, S.L.	100.00%	
Editorial Nuevo Mexico S.A. de C.V.	Avenida Rio Mixcoac 274 Col Acacias, México DF, Mexico	Publishing	Santillana Educación, S.L.	95.00%	
Editorial Santillana, S.A. (Guatemala)	26 Avenida 2-20 zona 14. Guatemala - Guatemala	Publishing	Iteca, S.L.	5.00%	
Editorial Santillana, S.A. (Honduras)	Colonia los Profesionales Boulevard Suyapa, Metropolis Torre 20501, Tegucigalpa Honduras	Publishing	Santillana Educación, S.L.	100.00%	2/91
Editorial Santillana, S.A. (Rep. Dominicana)	Juan Sánchez Ramírez, 9. Caizaco. Santo Domingo, Dominican Republic	Publishing	Iteca, S.L.	0.01%	
Editorial Santillana, S.A. (Venezuela)	Avenida Rómulo Gallegos, Edificio Zulia 1º. Caracas, Venezuela	Publishing	Santillana Educación, S.L.	99.95%	
Editorial Santillana, S.A. de C.V. (Mexico)	Avenida Rio Mixcoac 274 Col Acacias, México DF, Mexico	Publishing	Iteca, S.L.	0.01%	
Editorial Santillana, S.A. de C.V. (El Salvador)	3a. Calle Poniente Y 87 Avenida Norte, No. 311, colonia Escalon San Salvador	Publishing	Ediciones Voramar S.A.	0.01%	
Editorial Santillana, S.A.S (Colombia)	Edificio Pumbo 99, Carrera 11* N°98-50 Oficina 501. Bogotá, Colombia	Publishing	Ediciones Obrador, S.L.	0.01%	
Educa Inventia, Inc. (Puerto Rico)	1506 Roosevelt Avenue, Guaynabo, Puerto Rico	Publishing	Ediciones Grazeleme, S.L.	0.01%	
Educa Inventia, S.A. de C.V. (Mexico)	Avenida Rio Mixcoac 274 Col Acacias, México DF, Mexico	Publishing	Ediciones Grazeleme, S.L.	0.01%	
Educativa Ediciones, S.A.S. (Colombia)	Avenida El Dorado No. 90 - 10 Bogotá, Colombia	Publishing	Ediciones Grazeleme, S.L.	0.01%	
Educativa, S.A. (Chile)	Avenida Andrés Bello 2999 Oficina 1001 Providencia, Santiago Chile	Publishing	Ediciones Grazeleme, S.L.	0.01%	
Educativa, S.A.C. (Peru)	Av. Manuel Olguin Nro. 215 int. 501/ Los Granados/ Santiago de Surco/ Lima, Peru	Publishing	Ediciones Grazeleme, S.L.	0.01%	
Educativa, S.A.S. (Colombia)	Avenida El Dorado No. 90 - 10 Bogotá, Colombia	Publishing	Ediciones Grazeleme, S.L.	0.01%	
Grupo Pacifico S.A. (Panama)	Urbanización Industrial Orillac. Via Transistmica, Calle Segunda, Local No. 9, Rep. de Panama.	Publishing	Ediciones Grazeleme, S.L.	0.01%	
Kapelusz Editora, S.A. (Argentina)	Leonardo N. Alem, 720. Buenos Aires, 1001. Argentina	Publishing	Ediciones Grazeleme, S.L.	0.01%	

(*) Consolidated tax Group Promotor de Informaciones, S.A.; 2/91

COMPANIES INCLUDED IN THE SCOPE OF CONSOLIDATION: DECEMBER 2016

COMPANY	REGISTERED OFFICE	LINE OF BUSINESS	COMPANY HOLDING THE OWNERSHIP INTEREST	December 2016	
				PERCENTAGE OF OWNERSHIP	TAX GROUP (*)
Grup Promotor D'Ensenyament i Difusió en Català, S.L.	Frederic Mompou, 11. V. Olímpica. Barcelona	Publishing	Santillana Educación, S.L.	99.99%	2/91
Grupo Santillana Educación Global, S.L.	Av. de los Artesanos, 6 Tres Cantos, Madrid	Publishing	Itaca, S.L.	0.01%	
Inwevy DPS, S.L.	Av. de los Artesanos, 6 Tres Cantos, Madrid	Editorial, cultural, educational, leisure and entertainment services; and development and commercialization of educational content	Grupo Santillana Educación Global, S.L.	75.00%	2/91
Instituto Universitario de Posgrado, S.A. (in liquidation)	Av. de los Artesanos, 6 Tres Cantos, Madrid	Complementary educational services	Itaca, S.L.	100.00%	2/91
Itaca, S.L.	Av. de los Artesanos, 6 Tres Cantos, Madrid	Book distribution	Santillana Formación, S.L.	0.00%	
Lanza, S.A. de C.V.	Avenida Río Mixcoac 274 Col. Acacias, México DF, Mexico	Creation, development and management of companies	Grupo Santillana Educación Global, S.L.	99.99%	2/91
Pleno Internacional, S/A	Avenida Andres Bello N° 2299 Oficina 1001 Providencia - Santiago	Advice and consulting, development and sale of software	Santillana Educación, S.L.	0.02%	
Richmond Educatio, Ltda.	Rua Padre Adelino, 758, Belemzinho, Sao Paulo, Brazil	Publishing	Santillana Educación, S.L.	100.00%	
Richmond Publishing, S.A. de C.V.	Avenida Río Mixcoac 274 Col. Acacias, México DF, Mexico	Publishing	Editorial Santillana, S.A. de C.V. (Mexico)	99.98%	
Salamanca Editorial, Ltda.	Rua Urbano Santos 755, Sala 2- Sao Paulo, Brazil	Publishing	Editora Moderna, Ltda.	0.02%	
Santillana Administracão de Bieis, LTDA	Rua Padre Adelino, 758, Belemzinho, Sao Paulo (Brazil)	Assets management	Itaca, S.L.	100.00%	
Santillana Canarias, S.L.	Urbanización El Miyomazgo, Parcela 14, 2-7B, Santa Cruz de Tenerife	Publishing	Santillana Educación, S.L.	100.00%	
Santillana de Ediciones, S.A. (Bolivia)	Calle 13, N° 8078, Zona de Calacoto, La Paz, Bolivia	Publishing	Santillana Educación, S.L.	99.00%	2/91
Santillana del Pacifico, S.A. de Ediciones.	Avenida Andres Bello 2299 Oficina 1001-1002 Providencia, Santiago Chile	Publishing	Ed. Graزالama, S.L.	1.00%	
Santillana Editores, S.A.	R. Mario Caselhamo, 40 - Queluz de Baixo - 2794-502 Baracemena - Portugal	Publishing	Itaca, S.L.	0.15%	
Santillana Educación, S.L.	Av. de los Artesanos, 6 Tres Cantos, Madrid	Publishing	Santillana Educación, S.L.	100.00%	
Santillana Formación, S.L.	Av. de los Artesanos, 6 Tres Cantos, Madrid	Online Training	Santillana Educación, S.L.	100.00%	
Santillana Global, S.L.	Av. de los Artesanos, 6 Tres Cantos, Madrid	Publishing	Santillana Educación, S.L.	100.00%	
Santillana Infantil y Juvenil, S.L.	Av. de los Artesanos, 6 Tres Cantos, Madrid	Publishing	Grupo Santillana Educación Global, S.L.	100.00%	2/91
Santillana Sistemas Educativos, Ltda. (Colombia)	Edificio Punto 99, Carrera 11ª N°98-50 Oficina 501, Bogotá, Colombia	Consultancy services for the obtainment of quality certification by schools	Itaca, S.L.	100.00%	2/91
Santillana Sistemas Educativos, S.L.	Av. de los Artesanos, 6 Tres Cantos, Madrid	Publishing	Ediciones Obredoro, S.L.	94.46%	
Santillana USA Publishing Co. Inc.	2023 NW 84th Avenue, Doral, Florida, USA.	Publishing	Santillana Sistemas Educativos, S.L.	5.54%	
Santillana, S.A. (Costa Rica)	La Uruca, 200 m Oeste de Aviación Civil, San José, Costa Rica	Publishing	Grupo Santillana Educación Global, S.L.	99.99%	2/91
Santillana, S.A. (Ecuador)	Calle De las Higuieras 118 y Julio Avellanor, Quito, Ecuador	Publishing	Itaca, S.L.	0.00%	
Santillana, S.A. (Paraguay)	Avenida Venezuela, 276, Asunción, Paraguay	Publishing	Grupo Santillana Educación Global, S.L.	100.00%	2/91
Santillana, S.A. (Peru)	Avenida Primavera 2160, Santiago de Surco, Lima, Peru	Publishing	Itaca, S.L.	100.00%	2/91
Sistemas Educativos de Enseñanza, S.A. de C.V.	Avenida Río Mixcoac 274 Col. Acacias, México DF, Mexico	Publishing	Santillana Educación, S.L.	99.99%	
Uno Educatio Ltda. (Before Sistemas de Ensino Uno, Ltda.)	Rua Padre Adelino, 758, Belemzinho, Sao Paulo, Brazil	Publishing	Itaca, S.L.	0.01%	
Vanguardia Educativa Santillana Compartir, S.A. de C.V.	Avenida Río Mixcoac 274 Col. Acacias, México DF, Mexico	Publishing	Santillana Educación, S.L.	100.00%	
Zubia Editorial, S.L.	Polígono Lezama I, Leguizamón, Calle 31, Eibarbarri, Vizcaya	Publishing	Editora Moderna, Ltda.	100.00%	
			Editorial Santillana, S.A. de C.V.	70.00%	
			Lanza, S.A. de C.V.	30.00%	
			Santillana Educación, S.L.	99.90%	2/91
			Itaca, S.L.	0.10%	

(*) Consolidated tax Group Promotora de Informaciones, S.A.: 2/91

COMPANY	REGISTERED OFFICE	LINE OF BUSINESS	COMPANY HOLDING THE OWNERSHIP INTEREST	December 2016	
				PERCENTAGE OF OWNERSHIP	TAX GROUP (*)
RADIO					
RADIO SPAIN					
<i>Full Consolidation</i>					
Antena 3 de Radio de León, S.A.	Gran Vía, 32. Madrid	Operation of radio broadcasting stations	Sociedad Española de Radiodifusión, S.L.U.	99.56%	
Compañía Aragonesa de Radiodifusión, S.A.	Paseo de la Constitución, 21. Zaragoza	Operation of radio broadcasting stations	Sociedad Española de Radiodifusión, S.L.U.	97.03%	
Ediciones LM, S.L.	Plaza de Cervantes, 6. Ciudad Real	Operation of radio broadcasting stations	Prisa Radio, S.A.	50.00%	
Gestión de Marcas Audiovisuales, S.A.	Gran Vía, 32. Madrid	Production and recording of sound media	Sociedad Española de Radiodifusión, S.L.U.	100.00%	2/91
Iniciativas Radiofónicas de Castilla La Mancha, S.A.	Carreteros, 1. Toledo	Operation of radio broadcasting stations	Ediciones LM, S.L.	40.00%	
			Prisa Radio, S.A.	50.00%	
Iniciativas Radiofónicas, S.A.	Gran Vía, 32. Madrid	Operation of radio broadcasting stations	Sociedad Española de Radiodifusión, S.L.U.	93.42%	
Ondas Galicia, S.A.	San Pedro de Mezonzo, 3. Santiago de Compostela	Operation of radio broadcasting stations	Sociedad Española de Radiodifusión, S.L.U.	46.25%	
Prisa Radio, S.A.	Gran Vía, 32. Madrid	Provision of services to radio broadcasting companies	Prisa Participadas, S.L.	73.49%	
			Prisa Radio, S.A.	2.03%	
Prisa Radio Peru, S.A.C.	Avda Primavera 2160	Publishing of periodicals and other periodicals	Sociedad Española de Radiodifusión, S.L.U.	99.99%	2/91
			Prisa Radio, S.A.	1 acción	
Propulsora Montañesa, S.A.	Pasaje de Peña, Nº 2. Interior. 39008. Santander	Operation of radio broadcasting stations	Sociedad Española de Radiodifusión, S.L.U.	95.57%	
			Propulsora Montañesa, S.A.	4.32%	
Radio Club Canarias, S.A.	Avenida Anaga, 35. Santa Cruz de Tenerife	Operation of radio broadcasting stations	Sociedad Española de Radiodifusión, S.L.U.	95.00%	
Radio España de Barcelona, S.A.	Caspe, 6. Barcelona	Operation of radio broadcasting stations	Sociedad Española de Radiodifusión, S.L.U.	99.32%	
Radio Lleida, S.L.	Calle Vila Antonia, Nº 5. Lleida	Operation of radio broadcasting stations	Sociedad Española de Radiodifusión, S.L.U.	44.33%	
			Radio España de Barcelona, S.A.	22.17%	
Radio Murcia, S.A.	Radio Murcia, 4. Murcia	Operation of radio broadcasting stations	Sociedad Española de Radiodifusión, S.L.U.	83.33%	
Radio Zaragoza, S.A.	Paseo de la Constitución, 21. Zaragoza	Operation of radio broadcasting stations	Compañía Aragonesa de Radiodifusión, S.A.	66.00%	
			Sociedad Española de Radiodifusión, S.L.U.	24.00%	
Sociedad de Estudios de Radio y Televisión, S.A.U. (SERTEL)	C/ Gran Vía, nº 32	Broadcasting services	Sociedad Española de Radiodifusión, S.L.U.	100.00%	
Sociedad Española de Radiodifusión, S.L.U.	Gran Vía, 32. Madrid	Operation of radio broadcasting stations	Prisa Radio, S.A.	100.00%	2/91
Sociedad Independiente Comunicación Castilla La Mancha, S.A.	Avenida de la Estación, 5 Bajo. Albacete	Operation of radio broadcasting stations	Sociedad Española de Radiodifusión, S.L.U.	74.60%	
Societat de Comunicació i Publicitat, S.L.	Parc. de la Mola, 10 Torre Caldea, 6ª Escaldr. Engordany. Andorra	Operation of radio broadcasting stations	Sociedad Española de Radiodifusión, S.L.U.	99.00%	
			Unión Radio del Pirineu, S.A.	1.00%	
Sogetable Música, S.L.	Gran Vía, 32. Madrid	Creation, broadcasting, distribution and operation of thematic television channels	Sociedad Española de Radiodifusión, S.L.U.	100.00%	2/91
Sonido e Imagen de Canarias, S.A.	Caldera de Bandama, 5. Arrecife. Lanzarote	Operation of radio broadcasting stations	Sociedad Española de Radiodifusión, S.L.U.	50.00%	
Teleradio Pres, S.L.	Avenida de la Estación, 5 Bajo. Albacete	Media management	Sociedad Española de Radiodifusión, S.L.U.	75.10%	
Teleser, S.A.	Gran Vía, 32. Madrid	Operation of radio broadcasting stations	Sociedad Española de Radiodifusión, S.L.U.	72.59%	
			Compañía Aragonesa de Radiodifusión, S.A.	4.14%	
			Radio España de Barcelona, S.A.	1.58%	
			Propulsora Montañesa, S.A.	0.95%	
<i>Equity Method</i>					
Radio Jaén, S.L.	Obispo Aguilar, 1. Jaén	Operation of radio broadcasting stations	Sociedad Española de Radiodifusión, S.L.U.	35.99%	
Unión Radio del Pirineu, S.A.	Carrer Prat del Creu, 32. Andorra	Operation of radio broadcasting stations	Prisa Radio, S.A.	33.00%	

(*) Consolidated tax Group Promotora de Informaciones, S.A.: 2/91

COMPANIES INCLUDED IN THE SCOPE OF CONSOLIDATION: DECEMBER 2016

APPENDIX I

COMPANY	REGISTERED OFFICE	LINE OF BUSINESS	COMPANY HOLDING THE OWNERSHIP INTEREST	December 2016	
				PERCENTAGE OF OWNERSHIP	TAX GROUP (*)
INTERNATIONAL RADIO					
<i>Full Consolidation</i>					
Abril, S.A.	Eliodoro Yanex, N° 1783, Comuna Providencia Santiago, Chile	Commercial radio broadcasting services and operation of radio stations	Iberoamericana Radio Chile, S.A.	100,00%	
Aurora, S.A.	Eliodoro Yanex, N° 1783, Comuna Providencia Santiago, Chile	Commercial radio broadcasting services and operation of radio stations	Comercializadora Iberoamericana Radio Chile, S.A.	0,00%	
Blaya y Vega, S.A.	Eliodoro Yanex, N° 1783, Comuna Providencia Santiago, Chile	Commercial radio broadcasting services and operation of radio stations	Iberoamericana Radio Holding Chile, S.A.	99,98%	
Caracol Broadcasting Inc.	2100 Coral Way - Miami 33145 - Florida, EE.UU.	Operation of radio broadcasting stations	Comercializadora Iberoamericana Radio Chile, S.A.	0,02%	
Caracol Estéreo, S.A.	Calle 67 N° 7-37 Piso 7 Bogotá, Colombia	Commercial radio broadcasting services	Radiofusión Iberoamericana Chile S.A.	100,00%	
Caracol, S.A.	Calle 67 N° 7-37 Piso 7 Bogotá, Colombia	Commercial radio broadcasting services	Comercializadora Iberoamericana Radio Chile, S.A.	0,00%	
Comercializadora Iberoamericana Radio Chile, S.A.	Eliodoro Yanex, N° 1783, Comuna Providencia Santiago, Chile	Production and sale of CDs, advertising, promotions and events	GLR Services Inc.	100,00%	
Compañía de Comunicaciones de Colombia C.C.C. Ltda.	Calle 67 N° 7-37 Piso 7 Bogotá, Colombia	Commercial radio broadcasting services	Sociedad Española de Radiodifusión, S.L.U.	77,04%	
Compañía de Radios, S.A.	Eliodoro Yanex, N° 1783, Comuna Providencia Santiago, Chile	Commercial radio broadcasting services and operation of radio stations	Sociedad Española de Radiodifusión, S.L.U.	77,05%	
Comunicaciones del Pacífico, S.A.	Eliodoro Yanex, N° 1783, Comuna Providencia Santiago, Chile	Operation and management of TV channels and radio stations	GLR Chile Ltda.	99,84%	
Comunicaciones Santiago, S.A.	Eliodoro Yanex, N° 1783, Comuna Providencia Santiago, Chile	Operation and management of TV channels and radio stations	Sociedad Española de Radiodifusión, S.L.U.	0,16%	
Consorcio Radial de Panama, S.A.	Urbanización Obarrio, Calle 54 Edificio Caracol, Panamá	Commercial radio broadcasting services and operation of radio stations	Caracol, S.A.	43,45%	
Corporación Argentina de Radiodifusión, S.A.	Beazley 3860, Buenos Aires, Argentina	Operation and management of TV channels and radio stations	Promotora de Publicidad Radial, S.A.	19,27%	
Ecos de la Montaña Cadena Radial Andina, S.A.	Calle 67 N° 7-37, Piso 7, Bogotá, Colombia	Commercial radio broadcasting services	Sociedad Española de Radiodifusión, S.L.U.	16,72%	
Emisora Mil Veinte, S.A.	Calle 67 N° 7-37, Piso 7, Bogotá, Colombia	Commercial radio broadcasting services	Caracol Estéreo, S.A.	11,13%	
Fast Net Comunicaciones, S.A.	Eliodoro Yanex, N° 1783, Comuna Providencia Santiago, Chile	Commercial radio broadcasting services and operation of radio stations	Ecos de la Montaña Cadena Radial Andina, S.A.	4,42%	
GLR Colombia, Ltda.	Calle 67 N° 7-37, Piso 7, Bogotá, Colombia	Provision of services to radio broadcasting companies	Iberoamericana Radio Holding Chile, S.A.	99,92%	
GLR Chile, Ltda.	Eliodoro Yanex, N° 1783, Comuna Providencia Santiago, Chile	Operation of radio broadcasting stations	Comercializadora Iberoamericana Radio Chile, S.A.	0,08%	
GLR Services Inc.	Baypoint Office Tower, 4770 Biscayne Blvd, Suite 700 Miami, FL 33137, USA.	Provision of services to radio broadcasting companies	Comercializadora Iberoamericana Radio Chile, S.A.	66,67%	
GLR Southern California, LLC	3500 Olive Avenue Suite 250 Burbank, CA 91505, USA.	Provision of services to radio broadcasting companies	Iberoamericana Radio Chile, S.A.	33,33%	
Iberoamerican Radio Holding Chile, S.A.	Eliodoro Yanex, N° 1783, Comuna Providencia Santiago, Chile	Commercial radio broadcasting services and operation of radio stations	Sociedad Española de Radiodifusión, S.L.U.	25,00%	
Iberoamericana Radio Chile, S.A.	Eliodoro Yanex, N° 1783, Comuna Providencia Santiago, Chile	Commercial radio broadcasting services and operation of radio stations	Iberoamericana Radio Chile, S.A.	100,00%	
La Voz de Colombia, S.A.	Calle 67 N° 7-37, Piso 7, Bogotá, Colombia	Commercial radio broadcasting services	GLR Services Inc.	98,95%	
LSH Radio Continental, S.A.	Rivadavia 835, Ciudad Autónoma de Buenos Aires, Argentina	Radio broadcasting and advertising services	Ediciones Santillana, S.A. (Argentina)	1,05%	
Promotora de Publicidad Radial, S.A.	Calle 67 N° 7-37, Piso 7, Bogotá, Colombia	Commercial radio broadcasting services	Sociedad Española de Radiodifusión, S.L.U.	76,80%	
Publicitaria y Difusora del Norte Ltda.	Eliodoro Yanex, N° 1783, Comuna Providencia Santiago, Chile	Commercial radio broadcasting services and operation of radio stations	Sociedad Española de Radiodifusión, S.L.U.	75,72%	
Radio Estéreo, S.A.	Rivadavia 835, Ciudad Autónoma de Buenos Aires, Argentina	Radio broadcasting and advertising services	Comunicaciones Santiago, S.A.	99,00%	
Radiofusión Iberoamericana Chile S.A.	Eliodoro Yanex, N° 1783, Comuna Providencia Santiago, Chile	Holding	Iberoamericana Radio Chile, S.A.	1,00%	

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				PERCENTAGE OF OWNERSHIP	TAX GROUP (*)
Radio Mercadeo, Ltda.	Calle 67, N° 7-37, Piso 7, Bogotá, Colombia	Commercial radio broadcasting services	Sociedad Española de Radiodifusión, S.L.U. Caracol, S.A.	48.40% 29.85%	
Sociedad de Radiodifusión El Litoral, S.L.	Elizodoro Yañez, N° 1783, Comuna Providencia Santiago, Chile	Rental of equipment and advertising sales	Caracol Estéreo, S.A.	0.35%	
Sociedad Radiodifusora del Norte, Ltda.	Elizodoro Yañez, N° 1783, Comuna Providencia Santiago, Chile	Operation of radio broadcasting stations	Emisora M11 Veinte, S.A.	0.35%	
W3 Comm Inmobiliaria, S.A. de C.V.	Carretera Libre Tijuana, Enseñada 3100, Rancho Altamira Blvd Popotla y Camino al FRACC Misión del Mar, Playas de Rosarito, Baja California, USA.	Real estate development services	Ecos de la Montaña Cadena Radial Andina, S.A.	0.01%	
<i>Enjithu Melind</i>			Iberoamericana Radio Chile, S.A.	99.9%	
Cadena Radiodifusora Mexicana, S.A. de C.V.	Calzada de Tlalpan 3000 col Esparitaco México D.F. 04870, Mexico	Operation of radio broadcasting stations	Comercializadora Iberoamericana Radio Chile, S.A.	0.10%	
Cadena Radiópolis, S.A. de C.V.	Calzada de Tlalpan número 3000, Colonia Esparitaco, Delegación Coyoacán, Código Postal 04870, Ciudad de México.	Operation of radio broadcasting stations	Comercializadora Iberoamericana Radio Chile, S.A.	80.00%	
El Dorado Broadcasting Corporation	2100 Coral Way, Miami, Florida, USA.	Operation of radio broadcasting stations	Iberoamericana Radio Chile S.A	20.00%	
GLR Costa Rica, S.A.	Llorente de Tibás, Edificio La Nación, San José, Costa Rica	Provision of all types of public telecommunications and broadcasting services	Sociedad Española de Radiodifusión, S.L.U.	99.99%	
Green Emerald Business Inc.	Calle 54, Obarrio N° 4, Ciudad de Panamá, Panamá	Development of the Latin radio market in the US	Caracol, S.A.	0.01%	
Multimedios GLP Chile SPA	Av. Andrés Bello 2325 Piso 9, Providencia	Operation of radio broadcasting stations	Sistema Radiópolis, S.A. de C.V.	99.90%	
Promotora Radial del Llano, LTDA	Calle 67 N° 7-37 Piso 7 Bogotá, Colombia	Exploitation of media	Cadena Radiodifusora Mexicana, S.A. de C.V.	0.10%	
O'Hubo Radio, S.A.S	CL 57 No 17 – 48 Bogotá, Colombia	Commercial broadcasting services	GLR Services INC.	25.00%	
Radio Comerciales, S.A. de C.V.	Rubén Darío n° 158, Guadaluajara, Mexico	Exploitation of broadcasting and advertising business in all aspects.	Sociedad Española de Radiodifusión, S.L.U.	50.00%	
Radio Melodia, S.A. de C.V.	Rubén Darío n° 158, Guadaluajara, Mexico	Operation of radio broadcasting stations	Sociedad Española de Radiodifusión, S.L.U.	34.95%	
Radio Tapatia, S.A. de C.V.	Rubén Darío n° 158, Guadaluajara, Mexico	Operation of radio broadcasting stations	Iberoamericana Radio Chile, S.A.	50.00%	
Radiotelevisora de Mexicali, S.A. de C.V.	Avenida Reforma 1270, Mexicali Baja California, Mexico	Operation of radio broadcasting stations	Caracol, S.A.	25.00%	
Servicios Radiópolis, S.A. de C.V.	Calzada de Tlalpan 3000 col Esparitaco México D.F. 04870, Mexico	Operation of radio broadcasting stations	Promotora de Publicidad Radial, S.A.	25.00%	
Servicios Xezz, S.A. de C.V.	Calzada de Tlalpan 3000 col Esparitaco México D.F. 04870, Mexico	Operation of radio broadcasting stations	Caracol, S.A.	50.00%	
Sistema Radiópolis, S.A. de C.V.	Avenida Vasco de Quiroga 2000, México D.F. Mexico	Operation of radio broadcasting stations	Sistema Radiópolis, S.A. de C.V.	50.00%	
W3 Comm Concesionaria, S.A. de C.V.	Carretera Libre Tijuana, Enseñada 3100, Rancho Altamira Blvd Popotla y Camino al FRACC Misión del Mar, Playas de Rosarito, Baja California, USA.	Advisory services on business administration and organisation	Cadena Radiodifusora Mexicana, S.A. de C.V.	99.99%	
WSUA Broadcasting Corporation	2100 Coral Way, Miami, Florida, USA.	Radio broadcasting	Radio Comerciales, S.A. de C.V.	1.00%	
Xezz, S.A. de C.V.	Rubén Darío n° 158, Guadaluajara, Mexico	Operation of radio broadcasting stations	Radio Comerciales, S.A. de C.V.	100.00%	
			Xezz, S.A. de C.V.	0.00%	
			Radio Comerciales, S.A. de C.V.	100.00%	
			Sociedad Española de Radiodifusión, S.L.U.	50.00%	
			Sociedad Española de Radiodifusión, S.L.U.	48.98%	
			W3 Comm Inmobiliaria, S.A. de C.V.	50.51%	
			El Dorado Broadcasting Corporation	100.00%	
			Cadena Radiodifusora Mexicana, S.A. de C.V.	99.00%	
			Radio Comerciales, S.A. de C.V.	1.00%	
MUSIC					
<i>Full Consolidation</i>					
Gran Via Musical de Ediciones, S.L.	Gran Via, 32, Madrid	Provision of music services	Prisa Radio, S.A.	100.00%	2/91
Merchandising on Stage, S.L.	Ulises, 49, 28043, Madrid	Production and/or import of textile articles, jewellery, graphic materials, phonographic and/or audiovisual media and the related silkscreen printing, embossing or printing by any means or process.	Plural Entertainment España	0.00%	
			Gran Via Musical de Ediciones, S.L.	100.00%	2/91
Planet Events, S.A.	Gran Via, 32, Madrid	Production and organisation of shows and events	Gran Via Musical de Ediciones, S.L.	100.00%	2/91
Prisa Música, S.A.	Gran Via, 32, Madrid	Production and organisation of shows and events	Planet Events, S.A.	100.00%	2/91
Prisa Música América, S.A.S.	CALLE 98 N° 18 - 71 OFICINA 401	Production and organisation of shows and events	Prisa Música, S.A.	100.00%	2/91

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				PERCENTAGE OF OWNERSHIP	TAX GROUP (*)
PRESS					
<u>Full Consolidation</u>					
Agrupación de Servicios de Internet y Prensa, S.L.	Valentín Beato, 44. Madrid	Administrative, technological and legal services and the distribution of written and digital media	Diario El País, S.L.	100.00%	2/91
As Chile SPA	Eliodoro Yáñez 1783, Providencia, Santiago, Chile	Publication and operation of As newspaper in Chile	Diario As, S.L.	100.00%	
Diario AS Colombia, SAS	Cl 96, nº 1871 Of 401, Bogotá D.C.	Publication and operation of As newspaper in Colombia	Diario As, S.L.	100.00%	
Diario As USA, Inc	2100 Coral Way Suite 603, 33145 Miami, Florida	Publication and operation of As newspaper in USA	Diario As, S.L.	99.00%	
Noticias AS Mexico S.A. de C.V.	México DF	Publication and operation of As newspaper in Mexico	Prisa Noticias, S.L.	1.00%	
Diario As, S.L.	Valentín Beato, 44. Madrid	Publication and operation of As newspaper	Grupo de Medios Impresos y Digitales, S.L.	75.00%	2/91
Diario El País Argentina, S.A.	Leandro N. Alem, 720. Buenos Aires, 1001, Argentina	Operation of El País newspaper in Argentina	Diario El País, S.L.	96.01%	
Diario El País Do Brazil Distribuidora de Publicações, LTDA.	Rua Padre Adelmo, 758 Belezinho, CEP 03303-904, Sao Paulo, Brasil	Operation of El País newspaper in Brazil	Diario El País, S.L.	3.99%	
Diario El País Mexico, S.A. de C.V.	Avenida Universidad 767, Colonia del Valle, México DF, Mexico	Operation of El País newspaper in Mexico	Ediciones El País, S.L.	99.99%	
Prisa Noticias de Colombia, SAS. (Before Diario El País de Colombia SAS)	Calle 98 No 18-71 oficinas 401-402 del edificio Vaese, Bogotá	Operation of El País newspaper in Colombia	Promotora de Informaciones, S.A.	97.06%	
Diario El País, S.L.	Miguel Yuste, 40. Madrid	Publication and operation of El País newspaper	Lanza S.A. de C.V.	1 acción	
Ediciones El País (Chile) Limitada.	Eliodoro Yáñez 1783, Providencia, Santiago, Chile	Publication, operation and sale of El País newspaper in Chile	Diario El País, S.L.	100.00%	2/91
Ediciones El País, S.L.	Miguel Yuste, 40. Madrid	Publication, operation and sale of El País newspaper	Prisa Noticias, S.L.	100.00%	
Espacio Digital Editorial, S.L.	Gran Via, 32. Madrid	Edition and exploitation of Huffintton Post digital for Spain.	Fund. Santillana	0.00%	
Estructura, Grupo de Estudios Económicos, S.A.	Miguel Yuste, 42. Madrid	Publication and operation of Cinco Días newspaper	Ediciones El País, S.L.	100.00%	2/91
Grupo de Medios Impresos y Digitales, S.L.	Gran Via, 32. Madrid	Ownership of shares of publishing companies	Grupo de Medios Impresos y Digitales, S.L.	0.00%	
Merisitation Magazine, S.L.	Almogaveros 12, Llagostera, Girona	Documentation provision services	Diario El País, S.L.	99.99%	2/91
Pressprint, S.L.U.	Valentín Beato, 44. Madrid	Production, printing, publication and distribution of products	Fund. Santillana	0.01%	
Prisa Eventos, S.L.	Miguel Yuste, 40. Madrid	Sole rights of advertising in all the means and designs. Organization management and commercialization of activities and cultural sports, promotional.	Diario El País, S.L.	100.00%	2/91
Prisa Noticias, S.L.	Gran Via, 32. Madrid	Operation of press media	Prisa Noticias, S.L.	100.00%	2/91
Promotora General de Revistas, S.A.	Valentín Beato, 48. Madrid	Publication production and operation of magazines	Grupo de Medios Impresos y Digitales, S.L.	99.96%	2/91
<u>Equity Method</u>					
Beimedia Soluciones, S.L.	Rua de Garrucha, 8, Santa Cruz, 15179 A Coruña	Development, management and operation of websites, platforms and software to perform game-related activities	Promotora de Informaciones, S.A.	0.04%	
Kioskoymás, Sociedad Gestora de la Plataforma Tecnológica, S.L.	Juan Ignacio Luca de Tena, 7. Madrid	Publication and operation of newspapers, magazines in digital format	Prisa Noticias, S.L.	25.00%	
Le Monde Libre Société Comandité Simple	17, Place de la Madeleine, Paris	Holding of shares in publishing companies	Prisa Noticias, S.L.	50.00%	
				20.00%	

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				PERCENTAGE OF OWNERSHIP	TAX GROUP (*)
MEDIA CAPITAL					
<i>Full Consolidation</i>					
Argumentos para Audiovisual, Lda. (CASA DA CRIAÇÃO)	Rua Mário Castelhanho, nº 40, Queluz de Baixo 2734-506 Barcarena, Portugal	Creation, development, translation and adaptation of texts and ideas for television programmes, films, entertainment, advertising and theatre	Plural Entertainment Portugal, S.A.	100.00%	
COCO-Companhia de Comunicação, Unipessoal, Lda.	Rua Sampaio e Pina, nº's 24-26-1099 044 Lisboa, Portugal	Broadcasting, creation, development, production, recording and commercialization of radio productions. Promotion of musical and cultural events and extension of musical culture.	Radio Comercial, S.A. (COMERCIAL)	100.00%	
DRUMS - Comunicações Sonoras, Unipessoal LDA	Rua Sampaio e Pina, nº's 24-26-1070 249 Lisboa, Portugal	Activity sound broadcasting domains of production	Produções Audiovisuais, S.A. (RADIO CIDADE)	100.00%	
Emissões de Radiodifusão, S.A. (RADIO REGIONAL DE LISBOA)	Rua Sampaio e Pina, 24/26, 1099-044, Lisboa, Portugal	Radio broadcasting	Media Capital Rádios, S.A. (MCR II)	100.00%	
Empresa de Meios Audiovisuais, Lda. (EMIA V)	Rua Mário Castelhanho, nº 40, Queluz de Baixo 2734-502 Barcarena, Portugal	Purchase, sale and rental of audiovisual media (cameras, videos, special filming and lighting equipment, cranes, rails, etc.)	Plural Entertainment Portugal, S.A.	100.00%	
Empresa Portuguesa de Cenários, Lda. (EPC)	Rua Mário Castelhanho, nº 40, Queluz de Baixo 2734-502 Barcarena, Portugal	Design, construction and installation of decorating accessories	Plural Entertainment Portugal, S.A.	100.00%	
Grupo Media Capital, SGPS, S. A.	Rua Mário Castelhanho nº 40, Queluz de Baixo, Portugal	Holding of company shares	Vertix, SGPS, S.A.	94.69%	
Leirimedia, Produções e Publicidade, LDA	Rua Sampaio e Pina, nº 24-26 1070 249 Lisboa, Portugal	Information and communication activities	Emissões de Radiodifusão, S.A. (RADIO REGIONAL DE LISBOA)	100.00%	
Media Capital Digital, S.A.	Rua Mário Castelhanho, Nº 40, 2734-502, Barcarena, Portugal	Publication, multimedia production, distribution, consultancy, sales (mail order, telephone and other) of goods and services as well as the acquisition, supply, preparation and dissemination of journalism by any means	Media Global, SGPS, S.A. (MEGLO)	100.00%	
Media Capital Música e Entretenimento, S.A (MCMIE)	Rua Mário Castelhanho, Nº 40, 2734-502, Barcarena, Portugal	Publication, graphic arts and the reproduction of recorded media: magazines, audio publication, video reproduction and the provision of services related to music, the radio, television, film, theatre and literary magazines	Media Global, SGPS, S.A. (MEGLO)	100.00%	
Media Capital Produções, S.A. (MCP)	Rua Mário Castelhanho, Nº 40, 2734-502, Barcarena, Portugal	Design, development, production, promotion, sale, acquisition, exploitation rights, recording, distribution and dissemination of audiovisual media	Media Global, SGPS, S.A. (MEGLO)	100.00%	
Media Capital Rádios, S.A. (MCR II)	Rua Mário Castelhanho, Nº 40, 2734-502, Barcarena, Portugal	Provision of services in the areas of accounting and financial consultancy; performance of radio broadcasting activities in the areas of the production and transmission of radio programmes	Media Global, SGPS, S.A. (MEGLO)	100.00%	
Media Global, SGPS, S.A. (MEGLO)	Rua Mário Castelhanho, Nº 40, 2734-502, Barcarena, Portugal	Holding of company shares	Grupo Media Capital, SGPS, S. A.	100.00%	
Moliceiro, Comunicacao Social, S.A.	Rua Sampaio e Pina, 24/26, 1070 249 Lisboa, Portugal	Broadcasting activity	Emissões de Radiodifusão, S.A. (RADIO REGIONAL DE LISBOA)	100.00%	
CLMC-Multimedia, Unipessoal, Lda.	Rua Mário Castelhanho, 40, Queluz de Baixo 2734-502 Barcarena, Portugal	Distribution of film activities, video, radio, television, audiovisual and multimedia	Media Global, SGPS, S.A. (MEGLO)	100.00%	
NOTIMATA-Publicações e Comunicações, S.A.	Rua Sampaio e Pina, nº's 24/26 1099 044 Lisboa, Portugal	Broadcasting activity, as well as the publication of newspapers and magazines.	Emissões de Radiodifusão, S.A. (RADIO REGIONAL DE LISBOA)	100.00%	
Penalvo do Castelo FM Radiodifusão e Publicidade, Lda.	Rua Sampaio e Pina, nº 24-26 1070 249 Lisboa, Portugal	Broadcasting in production areas and programs transmission	Emissões de Radiodifusão, S.A. (RADIO REGIONAL DE LISBOA)	100.00%	2/91
Plural Entertainment España, S.L.	Gran Via, 32, Madrid	Production and distribution of audiovisual content	Media Capital Produções, S.A. (MCP)	100.00%	
Plural Entertainment Inc.	1680 Michigan Avenue, Suite 730, Miami Beach, USA.	Production and distribution of audiovisual content	Plural Entertainment España, S.L.	100.00%	
Plural Entertainment Portugal, S.A.	Rua Mário Castelhanho, nº 40, Queluz de Baixo 2730 1201 Barcarena, Portugal	Production of video and film, organisation of shows, rental of sound and lighting, advertising, sales and representation of registered videos.	Media Capital Produções, S.A. (MCP)	100.00%	
Polimedia - Publicidade e Publicações, Lda.	Rua Sampaio e Pina, nº 24-26 1070 249 Lisboa, Portugal	Broadcasting in production areas and programs transmission	Emissões de Radiodifusão, S.A. (RADIO REGIONAL DE LISBOA)	100.00%	
PRC Produções Radiofónicas de Coimbra, Lda.	Rua Sampaio e Pina, nº's 24-26 1070 249 Lisboa, Portugal	Cinema production, video and television programs	Emissões de Radiodifusão, S.A. (RADIO REGIONAL DE LISBOA)	100.00%	
Produção de Eventos, Lda. (MEDIA CAPITAL ENTERTAINMENT)	Rua Mário Castelhanho, Nº 40, 2734-502, Barcarena, Portugal	Publication, graphic art and reproduction of recorded media: magazines, audio publication, video reproduction; and provision of services related to music, radio, television, film, theatre and literary magazines.	Media Capital Música e Entretenimento, S.A. (MCMIE)	100.00%	

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Produções Audiovisuais, S.A. (NBP IBÉRICA) Produções Audiovisuais, S.A. (RADIO CIDADÉ)	Almagro 13, 1.ª Izquierda, 28010, Madrid Rua Sampaio e Pina, 24/26-1099-044, Lisboa, Portugal	Inactive Radio broadcasting, production of audio or video advertising spots Advertising, production and recording of discs. Development and production of radio programmes	Plural Entertainment Portugal, S.A. Media Capital Rádios, S.A. (MCR II)	100,00% 100,00%	
R 2000 - Comunicação Social, Lda.	Rua Sampaio e Pina, 24/26-1070-249, Lisboa, Portugal	Radio broadcasting in the areas of programme production and transmission	Produções Audiovisuais, S.A. (RADIO CIDADÉ)	100,00%	
Radio Comercial, S.A. (COMERCIAL)	Rua Sampaio e Pina, 24/26-1070-249, Lisboa, Portugal	Radio broadcasting in the areas of programme production and transmission	Media Capital Rádios, S.A. (MCR II)	100,00%	
Rádio do Concelho de Cantanhede, Lda.	Rua Sampaio e Pina, r/s 24-26-1099-044, Lisboa, Portugal	Radio broadcasting in the areas of programme production and transmission	Radio Comercial, S.A. (COMERCIAL)	100,00%	
Rádio Litoral Centro, Empresa de Radiodifusão, Lda.	Rua Sampaio e Pina, 24-2, 1099-044 Lisboa, Portugal	Issuers' exploitation of broadcasting, withdrawal, selection and diffusion of information and of cultural, recreative and advertising programs for audio-visual, wireless and telematic means	Emissões de Radiodifusão, S.A. (RADIO REGIONAL DE LISBOA)	100,00%	
Rádio Manteigas Radiodifusão, Lda.	Rua Sampaio e Pina, r/s 24/26-1070-044 Lisboa, Portugal	Radio broadcasting in the areas of programme production and transmission	Emissões de Radiodifusão, S.A. (RADIO REGIONAL DE LISBOA)	100,00%	
Rádio Nacional - Emissões de Radiodifusão, Unipessoal Lda.	Rua Sampaio e Pina, r/s 24-26-1099-044 Lisboa, Portugal	Activity of broadcasting, as well as the presentation of other services in the area of social communication	Radio Comercial, S.A. (COMERCIAL)	100,00%	
Rádio Sabugal - Radiodifusão e Publicidade, Lda.	Rua Sampaio e Pina, r/s 24/26-1070-044 Lisboa, Portugal	Radio broadcasting in the areas of programme production and transmission	Emissões de Radiodifusão, S.A. (RADIO REGIONAL DE LISBOA)	100,00%	
Rádio Voz de Alameda, Lda. (RVA)	Rua Sampaio e Pina, r/s 24-26-1099-044 Lisboa, Portugal	Production and emission radio programs with educational, informative, recreative and cultural characteristics.	Produções Audiovisuais, S.A. (RADIO CIDADÉ)	100,00%	
Rádio XXI, Lda. (XXI)	Rua Sampaio e Pina, 24/26-1099-044, Lisboa, Portugal	Radio broadcasting in the areas of programme production and transmission	Radio Comercial, S.A. (COMERCIAL)	100,00%	
Radiodifusão, Lda. (FLOR DO ÉTER)	Rua Sampaio e Pina, r/s 24-26-1099-044 Lisboa, Portugal	Production, accomplishment and commercialization of cultural and recreative, sports and informative programs for wireless and audio-visual means, promotion of exhibitors and cultural and artistic conferences, assembly of and with equipments of sound and image	Produções Audiovisuais, S.A. (RADIO CIDADÉ)	100,00%	
R.C. - Empresa de Radiodifusão, Unipessoal, Lda.	Rua Sampaio e Pina, r/s 24-26-1099-044 Lisboa, Portugal	Radio broadcasting, creation, development, production, recording and commercialization of radio productions and related activities and affiliates of the exercise broadcasting activity. Promotion of musical and cultural events throughout the country and abroad, through the performance of musical performances other multimedia cultural, educational and educational shows and those of a cultural nature. To promote the extension of musical culture and cultural research, through the preparation of studies, production, projects, publications, photographic or videographic discs, television or radio programs and recordings of advertising films.	Emissões de Radiodifusão, S.A. (RADIO REGIONAL DE LISBOA)	100,00%	
Serviços de Consultoria e Gestão, S.A. (MÉDIA CAPITAL SERVIÇOS)	Rua Mário Castelhana, Nº 40, 2794-502, Barcarena, Portugal	Advisory services, guidance services and operational assistance to public relations companies and organisations	Media Global, SGPS, S.A. (MEGLO)	100,00%	
Serviços de Internet, S.A. (IOL NEGÓCIOS)	Rua Mário Castelhana, 40, Queluz de Baixo 2734-502 Barcarena, Portugal	Services, publication and commercialization of electronic goods services. Activities of publication, production and distribution in media.	Media Capital Digital, S.A.	100,00%	
SIRPA, Sociedade de Imprensa Rádio Paralelo, Lda.	Rua Sampaio e Pina, 24/26-1099-044, Lisboa, Portugal	Broadcasting in the fields of production	Radio Comercial, S.A. (COMERCIAL)	100,00%	
Sociedade de Produção e Edição Audiovisual, Lda. (FAROL MÚSICA)	Rua Mário Castelhana, Nº 40, 2794-502, Barcarena, Portugal	Production of multimedia, audiovisual and photogram storage media	Media Capital Música e Entretenimento, S.A. (MCMIE)	100,00%	
Televisão Independente, S.A. (TVI)	Rua Mário Castelhana, Nº 40, 2794-502, Barcarena, Portugal	Performance of any TV-related activity such as the installation, management and operation of any TV channel or infrastructure	Media Global, SGPS, S.A. (MEGLO)	100,00%	
Tesela Produções Cinematográficas, S.L.	Gran Via, 32, Madrid	Production and distribution of audiovisual content	Plural Entertainment España, S.L.	100,00%	2/91

(*) Consolidated tax Group Promotora de Informaciones, S.A.: 2/91

COMPANIES INCLUDED IN THE SCOPE OF CONSOLIDATION: DECEMBER 2016

APPENDIX I

COMPANY	REGISTERED OFFICE	LINE OF BUSINESS	COMPANY HOLDING THE OWNERSHIP INTEREST	December 2016	
				PERCENTAGE OF OWNERSHIP	TAX GROUP (*)
DIGITAL					
<u>Full Consolidation</u>					
Infocentia 11824, S.L.	Ronda de Pontente 7, Tres Cantos, Madrid Gran Vía, 32, Madrid	Provision of telecommunication services Provision of internet services	Prisa Tecnología, S.L. Prisa Participadas, S.L.	60.00% 100.00%	2/91
PRINT					
<u>Full Consolidation</u>					
Bidasoa Press, S.L.	Calle Mallilla Nº 134, 46026, Valencia	Printing of publishing products	Dejaldo Grupo Grafico S.L.	100.00%	2/91
Dicladio Grupo Grafico S.L.	Carretera de Pinto a Fuentebrada, Km. 20/8, Madrid	Printing of publishing products	Prisaprint S.L.	100.00%	2/91
Distribuciones Aliadas, S.A.	Polígono Industrial La Isla, Parcela 53, 41700 Dos Hermanas, Sevilla	Printing of publishing products	Dicladio Grupo Grafico S.L.	100.00%	2/91
Norpresso, S.A.	Parque Empresarial IN-F, Calle Costureiras, s/n 27003, Lugo	Printing of publishing products	Dicladio Grupo Grafico S.L.	100.00%	2/91
Prisaprint, S.L.	Gran Vía, 32, Madrid	Management of printing companies	Prisa Participadas, S.L.	100.00%	2/91
PRISA BRAND SOLUTIONS					
<u>Full Consolidation</u>					
Prisa Brand Solutions S.L.U.	C/ Valentín Beato, 48, Madrid	Services of advertising and public relations	Promotora de Informaciones, S.A.	100.00%	2/91
Prisa Digital Inc.	2100 Coral Way, Suite 200, Miami, Florida, 33145, USA.	Internet services provider	Prisa Brand Solutions, S.L.U.	100.00%	2/91
Solomedeos, S.A.	C/ Valentín Beato, 48, Madrid	Advertising management	Prisa Brand Solutions, S.L.U. Promotora de Informaciones, S.A.	99.97% 0.03%	2/91
LOCAL TELEVISION					
<u>Full Consolidation</u>					
Colserada Audiovisual, S.L. (tr. liquidation)	Plaza Narcís Oller, Nº 6 1º, 08906, Barcelona	Provision of local television services	Promotora de Emisoras de Televisión, S.A.	92.50%	2/91
Málaga Ateneo, S.A. (tr. liquidation)	Paseo de Rodring 7, Málaga	Production and broadcasting of videos and TV programmes	Promotora de Emisoras de Televisión, S.A.	87.24%	2/91
Productora Audiovisual de Badajoz, S.A.	Ramon Albarán, 2, Badajoz	Provision of local television services	Promotora de Emisoras de Televisión, S.A.	61.45%	
Productora Extremeña de Televisión, S.A.	J.M.R. "Azorín", Edificio Zeus, Polígono La Corchera, Mérida, Badajoz	Provision of local television services	Promotora de Emisoras de Televisión, S.A.	70.00%	
Promotora de Emisoras S.L.	Gran Vía, 32, Madrid	Radio broadcasting services	Promotora de Emisoras, S.A.	100.00%	2/91
Promotora de Emisoras de Televisión, S.A.	Gran Vía, 32, Madrid	Operation of TV channels	Promotora de Emisoras, S.L. Promotora de Informaciones, S.A.	75.00% 25.00%	2/91
OTHERS					
<u>Full Consolidation</u>					
Audiovisual Sport S.L.	Calle Diagonal, 477, Barcelona	Management and distribution of audiovisual rights	Promotora de Informaciones, S.A.	80.00%	2/91
Grupo Latino de Publicidad Colombia, SAS	Carrera 9-9987 Oficina 1200, Bogotá, Colombia	Operation and sale of all manner of advertising	Prisa División Internacional, S.L.	100.00%	2/91
Prisa División Internacional, S.L.	Gran Vía, 32, Madrid	Holding of company shares	Prisa Participadas, S.L.	100.00%	2/91
Prisa Gestión de Servicios, S.L.	Gran Vía, 32, Madrid	Management and development of administrative, financial, personnel, resource selection services.	Promotora de Informaciones, S.A.	100.00%	2/91
Prisa Inc.	2100 Coral Way Suite 200 Miami 33145 U.S.A.	Management of companies in the US and North America	Prisa División Internacional, S.L.	100.00%	2/91
Prisa Participadas, S.L.	Gran Vía, 32, Madrid	Lease of commercial and industrial premises and set up and manage companies	Promotora de Informaciones, S.A.	100.00%	2/91
Prisa Producciones de Video, S.L.	Gran Vía, 32, Madrid	Production, distribution and audiovisual marketing	Prisa Audiovisual, S.L.U.	100.00%	2/91
Plural Entertainment Canarias, S.L.	Direcna Pesquera, Edificio Plato del Atlántico, San Andrés, 381 80, Santa Cruz de Tenerife	Production and distribution of audiovisual content	Prisa Audiovisual, S.L.U.	100.00%	2/91
Promotora Audiovisual de Colombia PACSA, S.A.	Calle 70, Nº 4-60, 11001, Bogotá, Colombia	Audiovisual and communication activities	Promotora de Informaciones S.A. Promotora de Actividades Audiovisuales de Colombia, Ltda. Grupo Latino de Publicidad Colombia, SAS	53.00% 1.00% 1.00%	
Promotora de Actividades América 2010 - Mexico, S.A. de C.V.	Avenida Paseo de la Reforma 300, Piso 9, Col. Juárez, 06600, México, D.F., Mexico	Development, co-ordination and management of all manner of international and national projects marking the bicentenary of American Independence.	Promotora de Actividades América 2010 S.L.	100.00%	
Promotora de Actividades América 2010, S.L.	Gran Vía, 32, Madrid	Production and organisation of activities and projects marking the bicentenary of American Independence	Prisa División Internacional, S.L. Promotora de Informaciones, S.A.	100.00%	2/91
Promotora de Actividades Audiovisuales de Colombia, Ltda.	Calle 80, 1023, Bogotá, Colombia	Production and distribution of audiovisual content	Prisa División Internacional, S.L. Promotora de Informaciones, S.A.	99.00% 1.00%	
Vertis, SCFIS, S.A.	Rua Maria Castelhano, nº 40, Quezuz de Bairox, Portugal	Holding of company shares	Promotora de Informaciones, S.A.	100.00%	
<u>Entity Madrid</u>					
Canal Club de Distribución de Ocio y Cultura, S.A.	Calle Hermosilla, 112, Madrid	Catalogue sales	Promotora de Informaciones, S.A.	25.00%	
Chip Audiovisual, S.A.	Coso, 100, Planta 3ª puerta 4-50001, Zaragoza	Audiovisual productions for TV	Factoría Plural, S.L.	50.00%	
Factoría Plural, S.L.	Calle Ibarritz, 2, 50017 Zaragoza	Production, realization and distribution of audiovisual	Prisa Audiovisual, S.L.U.	15.00%	
Productora Canaria de Programas, S.A.	Enrique Wolfson, 17, Santa Cruz de Tenerife	Development of a promotional TV channel for the Canary Islands	Prisa Audiovisual, S.L.U.	40.00%	
Sociedad Canaria de Televisión Regional, S.A.	Avenida de Madrid s/n, Santa Cruz de Tenerife	Audiovisual productions for TV	Prisa Audiovisual, S.L.U.	40.00%	

(*) Consolidated tax Group Promotora de Informaciones, S.A.: 2/91

KEY FINANCIAL AGGREGATES OF THE COMPANIES ACCOUNTED FOR USING THE EQUITY METHOD

APPENDIX II

INVESTEE	December 2016							NET PROFIT
	TOTAL ASSETS	CURRENTS ASSETS	NON CURRENT ASSETS	CURRENT LIABILITIES	NON CURRENT LIABILITIES	EQUITY	OPERATING INCOME	
<i>(Thousands of euros)</i>								
PRESS								
Betmedia Soluciones, S.L.	1,122	964	158	475	31	616	2,206	382
Kioskoymás; Sociedad Gestora de la Plataforma Tecnológica, S.L.	1,048	945	103	1,066	540	(558)	500	(51)
Le Monde Libre	109,666	2,309	107,357	123,074	0	(13,407)	0	(2,489)
RADIO								
RADIO IN SPAIN								
Radio Jaén, S.L.	1,230	776	454	319	0	910	1,204	(99)
Unión Radio del Pirineu, S.A.	605	578	27	276	0	329	386	3
INTERNATIONAL RADIO								
Cadena Radiodifusora Mexicana, S.A. de C.V.	26,484	24,899	1,585	16,322	1,071	9,090	37,169	7,537
Cadena Radiópolis, S.A. de C.V.	885	474	411	890	0	(5)	0	(9)
El Dorado Broadcasting Corporation	569	0	569	2,202	0	(1,633)	0	0
GLR Costa Rica, S.A.	1,424	396	1,028	261	0	1,163	2,340	8
Green Emerald Business Inc.	1,837	1,061	776	1,848	5,990	(6,001)	1,720	(711)
Multimedios GLP Chile SFA	1,322	685	636	1,365	0	(43)	2,939	(500)
Promotora Radial del Llano, LTDA	120	102	18	53	0	67	95	(4)
Q'Huho Radio, S.A.S	257	256	1	492	0	(235)	1,086	(288)
Radio Comerciales, S.A. de C.V.	2,311	143	2,168	1,164	751	397	2,302	(56)
Radio Melodía, S.A. de C.V.	297	219	78	92	0	205	300	176
Radio Tapatia, S.A. de C.V.	1,061	948	113	762	0	299	399	204
Radiotelevisora de Mexicali, S.A. de C.V.	2,372	2,098	275	239	34	2,099	833	292
Servicios Radiópolis, S.A. de C.V.	2,250	2,250	0	1,780	385	84	9,465	90
Servicios Xezz, S.A. de C.V.	187	187	0	191	0	(4)	1,304	(9)
Sistema Radiópolis, S.A. de C.V.	44,056	26,413	17,643	14,385	0	29,671	39,261	8,689
W3 Comm Concesionaria, S.A. de C.V.	460	305	155	863	0	(403)	560	160
WSUA Broadcasting Corporation	4,776	1,784	2,992	3,352	6,451	(5,027)	486	(48)
Xezz, S.A. de C.V.	274	266	8	15	46	213	310	161
OTHERS								
Canal Club de Distribución de Ocio y Cultura, S.A.	179	179	0	7	0	172	95	95
Chip Audiovisual, S.A	2,363	2,332	31	762	0	1,601	6,037	385
Factoría Plural, S.L	4,128	3,442	686	2,078	0	2,050	9,459	247
Productora Canaria de Programas, S.A.	1,592	1,582	10	181	0	1,411	9	2
Sociedad Canaria de Televisión Regional, S.A.	2,207	2,178	29	357	0	1,850	388	(4)

**PROMOTORA DE INFORMACIONES, S.A. (PRISA) AND
SUBSIDIARIES**

Consolidated Directors' Report for 2016

PROMOTORA DE INFORMACIONES, S.A. (PRISA)
AND SUBSIDIARIES
CONSOLIDATED DIRECTOR'S REPORT FOR 2016

1. POSITION OF THE COMPANY

Organizational structure

Prisa is the world's leading Spanish and Portuguese-language business group in the fields of education, information and entertainment. Present in 22 countries, it reaches more than 60 million users through its global brands El País, As, 40 Principales, W Radio or Santillana. As leader in General-interest Press, Comercial TV, Music and Spoken-word radio and Education, it is one of the largest media groups in the world with an extraordinary range of assets. It's presence in Brazil and Portugal and among the growing Hispanic community in the US has given the group an Ibero-American dimension and has opened up a potential global market of 700 million people.

With over 250 web sites, regularly visited by 24.9 million unique monthly users (source: comScore Jan-Dec'16) and 122.5 million of unique browsers (Source: Adobe Omniture +Netscape, Jan-Dec'16) in all of the world, Prisa is at the forefront of multi-channel and multi-device distribution and, with the launch of an ambitious strategy for content distribution, offering myriad differentiated products and services through all types of devices.

The Group is divided into four business areas: **Santillana, Noticias, Radio and Audiovisual**, all of which are undergoing a process of digital transformation.

Santillana is the leading educational company in Spain and Latin America, present in 22 countries. It has championed education and learning for more than 50 years. It has an international presence in the entire Spanish and Portuguese speaking world, both in Portugal and Brazil and the United States, and also produces teaching materials (textbooks, digital resources, support material, etc.) in all of Spain's official languages from early-years teaching to the Baccalaureate and Vocational Training.

At a time of rapid digital and pedagogical change, it sets a premium on high-quality innovative teaching materials and strives to offer schools, teachers and pupils alike a comprehensive service offering a complete package comprising technology, training and assessment materials.

Santillana specialises in creating high-quality multi-format teaching materials for all levels of education for pupils aged from 3 to 18, published in Spanish, Portuguese and English and adapted to the educational standards and approaches of each country. It also offers an advisory service to help schools meet their many and varied individual teaching needs, with comprehensive, modular solutions covering a range of topics from teacher training to innovative assessment platforms. Its main educational projects are Santillana Compartir, Sistema UNO, Saber Hacer, Aula Virtual, Loqueleo, WebBooks and Bejob.

Prisa Noticias is the Prisa business unit that encompasses all the news brands in its segment. It has a clearly global outlook. It includes leading newspapers such as El País, Cinco Días, AS and The Huffington Post in addition to trade magazines such as Icon and S Moda. These publications have an online readership of 19.6 million users from throughout the world (Source: comScore, Jan-Dec 16).

El País was founded in 1976. From the very beginning, El País has been committed to Spanish society, to defending and expanding democratic liberties for all. Aware of and committed to this reality, this maxim remains valid in the Company more than four decades later and now extends to all of Latin America.

El País is the leading newspaper in Spain and also the most widely read Spanish-language daily newspaper, according to ComScore. This leading position is built upon a tradition of launching new products, permanent innovation and a presence throughout Latin America. At present, 47.8% of the readers of this newspaper are from the Americas and 45.9% from Spain. Diario As is a leading daily sports newspaper with 6.2 million individual readers throughout the world including its online publication (Source: comScore, Jan-Dec 16). In 2013, it started to expand internationally with AS América, an edition for Latin America, and three further country-specific editions for Chile (2014), Colombia (2015) and Mexico (2015). Currently 52.2% of the daily's users are international.

PRISA Radio is the world's largest Spanish-language radio broadcasting group with nearly 23 million listeners and 6 million unique users online (comScore Jan-Dec'16) and more than 1,250 radio stations, either directly owned or associates, spread out over twelve countries. Prisa Radio is well positioned in the main Spanish-speaking radio markets and is the absolute leader in Spain, Colombia and Chile.

The company's business is structured in two main areas: Radio and Music, with a management model designed to revitalize radio formats, introduce technological innovation and ensure its content is available on all digital platforms. It combines a global presence with a local approach which allows it to optimize exchanges between the different countries and boost the value generation of the Group.

It uses the power of digital technology and its reference brands to develop a whole series of activities and events, including concerts, festivals, music prizes, debates and conferences, which add value and strengthen its connection with its audience.

In a fast-changing digital environment, new platforms, interaction and mobility are all opportunities exploited by radio to drive its social function and reach new audiences.

The **Audiovisual sector** encompasses the audiovisual activity of the Prisa Group. It is particularly active in the Spanish and Portuguese markets through its products for digital entertainment and commercial television.

Media Capital, the commercial TV in Portugal, is the leading media group in Portugal. In the television industry, it has the TV channel (TVI) which attracts the largest number of viewers, one of the most prestigious and widely listened to radios at national level (MCR) and the second largest Internet portal (IOL). It produces content in a wide range of genres, specialising in fiction, news, entertainment and sports.

In addition to generalist TVI, Media Capital's activity is spread across its thematic channels TVI24, TVI Internacional, TVI Ficção, +TVI, TVI Direct, TVI África and TVI Reality, the latter two launched in 2015. Media Capital has used these channels to strengthen its presence in Europe and Africa. The best content from TVI Internacional is currently present in 15 countries through 30 distribution platforms: Angola, Mozambique, Spain, France, Andorra, Switzerland, Monaco, Luxembourg, United Kingdom, United States, Puerto Rico, Cape Verde, Venezuela, Australia and New Zealand.

Media Capital is also present in other businesses related to the media industry, such as television content production, provided by the multinational company, Plural Entertainment. Plural Entertainment is one of the most important companies in the Iberian Peninsula in this industry and is particularly active in the area of Portuguese-language fiction.

Since 2015, **Prisa Vídeo** develops and boosts the production, distribution and marketing of video within the group, in entertainment, current affairs, news, fiction and education.

Prisa Vídeo is a prestige audiovisual production label including new digital video narratives and traditional production for third parties. One of the main objectives of this production company is to develop contents along with advertisers and thereby boost business transformation and the growth of native advertising.

Governance bodies

Except for matters reserved to the General Meeting, the Board of Directors of Prisa is the highest decision-making body within the Company.

The Board policy is to focus its activity on the general functions of supervision and determination of policies and strategies of the Company, and to delegate ordinary management of the Company to the Managing Director and, if applicable the Executive Chairman, with the assistance of the Company's management team.

In accordance with the Board of Directors Regulations of the Company and the provisions of the Capital Companies Act, the Board has exclusive authority regarding certain general strategies and policies of the Company, as well as regarding certain decisions (inter alia, the strategic or business plan, management objectives and the annual budget, financing and investment policy, tax strategy, risk management and control, approval of financial information, approval of financial projections, dividend policy, treasury share policy, strategic alliances of the Company or its controlled companies, definition of the Group's structure, corporate governance and corporate social responsibility policies, general compensation policy, appointment and removal of certain executives, investments or transactions of any kind that by reason of their high amount or special characteristics are of a strategic nature or involve special tax risk to the Company, approval of creation or acquisition of interests in special-purpose vehicles or entities domiciled in countries or territories considered to be tax havens, resolutions related to mergers, splitups and any relevant decision having to do with the status of the Company as a listed company, approval of related party transactions, annual evaluation of the functioning of the Board of Directors.....)

The Board of Directors of Prisa currently is comprised of seventeen directors: three executive directors, four proprietary directors, nine independent directors and another

external director. They have various academic backgrounds and outstanding professional careers.

Also, the Board currently has the following positions: Executive Chairman, Vice Chairman, Managing Director, Coordinating Director, Secretary and Deputy Secretary.

Without prejudice to the authority of the Chairman and the Managing Director, and within the framework of the regulatory provisions regarding authority reserved to the Board itself, it has a Delegated Committee.

In addition the Prisa Board of Directors has formed another four Committees, with reserved authority in their respective areas: (i) Audit, (ii) Corporate Governance, (iii) Nominating and Compensation and (iv) Technology Transformation.

Performance

Operating targets and strategy

Santillana's objectives revolve around gearing its efforts towards education, which is currently undergoing a deep digital and teaching transformation. In Latin America, the two most well-rounded education offerings and with the greatest elements of innovation, Sistema Uno and Santillana Compartir, continue with an outstanding adoption, a driving up their combined share of the total. 2016 was an important year for consolidating both education models and showcasing their contribution to learning.

In 2017, Santillana intends to put the emphasis and all its efforts on existing educational projects and new initiatives in a bid to enrich its content, services and technological offering to learning centres, students and families. And all underpinned by innovation and research in propositions to improve the quality of education and yield the best learning results in all the countries where the Company has operations. Santillana is witnessing a major transformation of the sector and its duty is to play a leading role. In addition Norma has been incorporated into the consolidation perimeter providing greater growth to the traditional education business.

The objective in **Radio** is to retain the leadership position in 2017 in Spain, Chile and Colombia, and to improve the positioning in the rest of the countries, strengthening the commercial model and generating more efficient models to achieve operational improvements in operations.

Efforts in Prisa Radio will remain geared towards leading the digital transformation process and boosting audience; Prisa Radio has become a benchmark among digital radio groups. Its efforts will focus on adapting web content to the different access devices, guiding the evolution of audio consumption through mobile devices and expanding its business of musical events in Latin America.

The goals for the **Prisa Noticias** business in 2017 including becoming the audience leader in all media, raising the profitability of the traditional business and focusing on international expansion, transformation and digital growth in all products.

Growth of online audience, commitment to users, improvement in the commercial model and development of mobility and audiovisual content are the key strategic planks that will help the Group towards becoming the overall leader in the Latin America market in general, sports and economic press.

In the **Audiovisual** business area, the Media Capital Group's objectives are to keep up efforts to streamline processes and cost structures, focus on strategic growth areas, seek new revenue-generation models mainly based on the multicast content, maintain innovation, quality and diversity in the content offering.

TVI's goal is to retain its leadership and take the best offering of series, entertainment and news content from Portugal to other markets with a strong Portuguese-speaking population.

The aim of **Prisa Vídeo** is to strengthen its structure to become the leading company in content production for third parties and in developing new digital video products.

In general, the **Group** has gone to great lengths in recent years to clamp down on operating costs. Efforts will remain geared towards controlling costs and capex, channeling available resources to growth areas and towards the new initiatives planned for 2017, in addition to continuing with financial optimization and debt reduction plans.

Financial targets and strategy

Prisa signed a refinancing agreement with banks in December 2013 aimed at providing the Group with financial stability, extending debt maturities and affording it more time and flexibility to reduce debt and an improvement in its liquidity profile.

The objectives of the refinancing were to achieve an appropriate capital structure for the Company in the medium term, removing the financial burden of interest payments and aligning debt more closely to the cash flow generation of the various business areas. The agreement allows the Group to achieve a more coherent set of assets, with exposure to regions and businesses with scope for growth and cash generation, while preserving operational synergies.

Since the signed of said agreement, the Company made great strides in the execution of the refinancing plan, by repurchasing debt for a total of EUR 1,751.4 million with proceeds from the sale of assets such as Mediaset España and DTS and the capital increase subscribed by Consorcio Transportista Occher, S.A. and International Media Group. These transactions have meant that it has been possible to meet in advance the debt reduction commitments which are part of the refinancing contract.

Additionally, in April 2016 was subscribed an issue of bonds, mandatorily convertible into new issue ordinary shares of Prisa, through the conversion of financial debt of the Company canceling debt amounting to 100.7 million euros. All these operations have contributed significantly to the strengthening of the Group's capital structure.

In 2017 the Group will continue to reinforce its capital structure, debt reduction and focusing on cash generation.

2. BUSINESS PERFORMANCE

Analysis of the evolution and result of business

The Group uses EBITDA to follow the evolution of its businesses and establish the operational and strategic objectives of the Group companies.

The EBITDA is defined as profit from operations plus changes in operating allowances, assets depreciation expense and impairment of assets.

The following tables detail the reconciliation between EBITDA and the Group's profit from operations for each of the segments of 2016 and 2015:

2016-

	Million of euros					Prisa Group
	Education	Radio	Press	Audiovisual (Media Capital)	Others	
PROFIT FROM OPERATIONS	98.6	28.2	7.1	33.3	(33.7)	133.5
Depreciations and amortisation charge	55.4	7.8	7.4	8.2	4.4	83.2
Change in operating allowances	14.7	4.6	0.7	0.7	8.4	29.1
Impairment of goodwill	-	0.4	-	-	-	0.4
Impairment of assets	2.2	0.3	-	-	0.2	2.7
EBITDA	170.9	41.3	15.2	42.2	(20.7)	248.9

2015-

	Million of euros					Prisa Group
	Education	Radio	Press	Audiovisual (Media Capital)	Others	
PROFIT FROM OPERATIONS	88.7	42.3	(6.5)	31.0	(34.7)	120.8
Depreciations and amortisation charge	59.3	6.8	7.1	9.2	8.2	90.6
Change in operating allowances	15.1	5.8	5.6	0.7	7.1	34.4
Impairment of goodwill	-	-	-	0.4	-	0.4
Impairment of assets	4.0	(0.1)	0.1	0.1	(2.0)	2.2
EBITDA	167.2	54.7	6.4	41.4	(21.3)	248.4

Key highlights for 2016 include:

- Group **operating income** in 2016 amounted to EUR 1,358.0 million (-1.2%) and **EBITDA** to EUR 248.9 million (+0.2%). Both magnitudes were negatively impacted by the evolution of the foreign exchange (FX).
- **Advertising revenue** totaled EUR 483.9 million (-2.8%), with a -0.9% decrease in advertising in Spain respect December 2015 (due to the fall of traditional advertising in the press and radio, which is partially offset by online advertising and sponsorship in Press growth) and a +4.0% increase in Portugal (above market

growth) for the year 2016. Latin America radio showed difficulties due to macroeconomical and radio advertising industry deceleration, especially in Colombia. Also there is a significant negative impact due to foreign exchange (FX).

- **Latin America and the US** represented 45.5% of the Group's revenues and 61.0% of EBITDA.
- **Cost cutting** control continued throughout the Group, with resources allocated to growth, mainly in Santillana, Press, Radio and Media Capital. Expenses were down 2.2% affected as well by FX impact.
- **Control of the level of Capex**, mainly associated to less investment in prototypes and digitalization systems (mainly in Mexico, Brazil and Argentina). Also less investment in Radio for the purchase in 2015 of radio stations in Colombia that has not occurred in 2016.
- Operating revenues **in Education**, amounted to EUR 637.5 million (-0.8%), with a negative currency effect of EUR 44.7 million. Excluding the foreign exchange effect, revenues would have increased (+6.1%). EBITDA reaches EUR 170.9 million (+2.2%). Excluding the foreign exchange, EBITDA increases +11.2%, comparing to 2015.

In Latin America, all the campaigns of the most important countries have increased their revenues in constant currency with the exception of Mexico, due to lower institutional sales. It is worth mentioning the behavior of Peru by institutional tender of primary and secondary in the year.

Spain shows operational improvement, despite experiencing a slight drop in revenues, explained by the smaller adoptions in the 2016 campaign compared to the previous year.

Digital Education Systems (UNO and Compartir) continue their expansion in Latin America, growing in the number of students to reach 867,878. UNO and Compartir grew 6.9% in revenues (excluding exchange rates).

- **Radio** operating revenues amounted EUR 301.1 million (-4.4%), with a negative currency effect of EUR 12.8 million, and EBITDA reached EUR 41.3 million (-24.6%) basically due to Latam. Excluding the currency effect, EBITDA decreases -24.2%.

Advertising revenues in Spain decreases -3.5% (digital advertising grows +27.9% while national decreases -1.4%, local advertising declines -3.2% due to the effect of the elections in 2015 and exchange -39.5% by change in the accounting criteria).

According to the EGM, Prisa Radio in Spain maintains its leadership in generalist and musical radio

Latin America in local currency decreases -5.2%. The increase in Chile (+ 5.8%) and in Argentina (+47.4%) after the agreement with Albavisión, does not compensate

for the decrease in Colombia (-14.2%) reflecting macroeconomical issues and sector specific difficulties in the country.

- In the **Press** division, income decreases -0.6% at EUR 239.9 million. Digital advertising and events growth offset lower traditional advertising revenues, promotions and circulation. EBITDA increased + 138.1% over the same period last year.

Total advertising revenues grew +3.0% (El País +2.3% and AS +14.2%). Traditional advertising suffered a -9.2% decline, compensated with an excellent performance of digital advertising revenues that increased 15.2% and higher events (+61.0%) associated with the 40th Anniversary. There is also a decrease in promotion revenues (-0.4%). Circulation revenues declined (-4.7%) although less than the newspaper circulation descend, due to an increase in the retail price in El País.

In December 2016, an average of 88.2 million unique browsers and 19.6 million unique users are registered.

- **Media Capital**, operating revenues reached EUR 174.0 million (-0.2%) and EBITDA amounted EUR 42.2 million (+1.9%).

Advertising revenue advanced 4.1%, with good performances in TV (+3.6%), radio (+5.8%) and internet (+13.6%) above market performance. Despite the lower production in Spain, the drop in called value-added revenues and the sale of studies in Vialonga (in 2015), they were offset by the increase of advertising revenues and distribution of channels in Pay TV platforms allowing EBITDA to grow above 2015.

- **The Net Bank Debt decreased EUR 173.5 million in the year** and reached EUR 1.486,2 million in December 2016.

This indicator of debt includes non- current bank borrowings and current bank borrowings, excluding loan arrangement costs, diminish by current financial assets, cash and cash equivalents.

The following table shows the composition of this indicator for 2016 and 2015:

	Million of euros	
	2016	2015
Non-current bank borrowings	1,653.5	1,907.8
Current bank borrowings	68.5	100.8
Loan arrangement costs	30.1	48.3
Current financial assets (*)	(19.5)	(78.1)
Cash and cash equivalents	(246.4)	(319.0)
NET BANK DEBT	1,486.2	1,659.7

(*) In 2015, Current financial assets excluded 36.3 million euros corresponding to the amount pending of collection in relation with the sale price adjustments of DTS. These adjustments were resolved in favor of Prisa during the first half of 2016.

- Other **key highlights of the 2016** are:
 - **Issuance of mandatory convertible bonds**

As of April 1st of 2016, the General Meeting of Prisa and several of its main creditors have approved an agreement to perform a bonds issue, mandatorily convertible into ordinary shares of Prisa through debt cancellation. On June 22nd, 2016, such issuance formalized in public deed on April 7, has been registered in the trade register of Madrid.

The amount of that issue finally amounts to EUR 100.7 million, divided into EUR 32.1 million Tranche A, underwritten by HSBC Bank Plc., several entities of Santander and CaixaBank Group, SA redeemed all of its participation in the subordinated debt and EUR 68.6 million Tranche B, fully subscribed by HSBC Bank Plc. redeeming part of its shareholder loan.

- **Discounted debt buyback**

As described in notes 1b and 11b of the accompanying consolidated financial statements, during 2016 Prisa has made several discounted debt buyback.

In February 2016, Prisa made a Dutch auction process and agreed to buy back a total of EUR 65.9 million of debt, with an average discount of 16.02% and a total discount of EUR 10.6 million. The funds used for this auction arise from the sales of shares of DTS, Distribuidora de Televisión Digital, S.A., completed on April 30, 2015. Also, with funds of this sale operation, in August 2016 was repayment EUR 22.1 million, with an average discount of 11.0% and a total discount of EUR 2.4 million.

Additionally, in 2016, the Company paid off a total of EUR 33.1 million with with the funds obtained from the increase in capital subscribed by International Media Group, S.à.r.l. by the end of 2015, at an average discount of 23.2% and a total discount of EUR 7.7 million.

- **Canal+ sale**

In the first half of 2016, the adjustments of price of the sale Canal+ to Telefónica have been resolved in favor of Prisa for an amount of EUR 36.3million, so the total price of the transaction has finally amounted to EUR 724.6 million.

- **Acquisition of NORMA (Education)**

On September 10, was closed the acquisition of NORMA. The transaction consists of the acquisition of the shares owned by Carvajal, S.A. in the companies engaged in the education business in Colombia, Argentina, Chile, Guatemala, Mexico, Peru and Puerto Rico, as well as the transfer of certain trademarks linked to the business and the granting of a license over trademarks associated to the NORMA name of Grupo Carvajal. The final price of the operation, after applying the usual adjustments in this type of operations, was COP 51,880.3 million (EUR 14.4 million) and finally Ecuador was excluded from the agreement.

○ **Divesting process**

As of November 16th, 2016 Prisa announces that within the strategic review process initiated by the group, different alternatives are being considered, including, among others, an eventual disposal of all or part of the shares in Grupo Santillana Educación Global S.L., and to that end, the Company has launched the corresponding formal sale process.

Market environment

Economic environment in Spain and Portugal

The year 2016 continues with growth, with positive growth rates for Spain and Portugal, and laying the foundations of a new economic environment, after the beginning of the crisis in 2007.

Starting in 3Q 2013, a continuous positive quarterly change in trend has been recorded and confirmed in 2014. In 2015, growth continued (+3.2% in Spain and +1.5% in Portugal), as well as in 2016 (+3.2% in Spain and +1.2% in Portugal).

- Spanish GDP grew by +3.2% for the second year in a row (source: INE).
- As for Portugal, in 2015 GDP grew by +1.5%, continuing to grow in 2016 by +1.2% (source: Portugal Central Bank).

The improvement observed in the economic environment has had its reflection in private consumption. Private consumption in Spain increased +2.4% in 2014, after several years of declines. It continued to grow in 2015 (+3.6%) and according to the consensus projections compiled by FUNCAS in September, the mentioned improvement allows for a growth estimate of +4.2% for 2016.

In terms of quarterly evolution, private consumption has also showed a high rhythm of growth during 2015 and 2016: growth of +4% in 3Q 2015, +3.8% in 4Q, +4% in 1Q 2016, +4% in 2Q in 2016.

This trend of growth continues in 2016, with an average growth of the retail trade index of +2.9% between January and December (source: INE, provisional figures).

In Portugal, according to internal sources, private consumption, has grown +2.2% in 2016.

Advertising market evolution

The Group's divisions are directly exposed to the Spanish advertising market through Radio, Press and Digital, as well as the Portuguese advertising market through its FTA TV (TVI), Radio and Digital businesses.

During 2014 advertising investment grew in Spain for the first time since 2010. This trend continued in 2015. According to public sources (i2p, September 2016) advertising investment grew in Spain +5.8% in 2015. This improvement continued in 2016, although at a lower rhythm: i2P (September 2016) expects a +3% growth for 2016.

The evolution by sectors shows an improvement in the estimation of 2016 investment, with a positive performance in Television, Internet, Radio and Cinema, falling in Press (including magazines) and Outdoors.

In Portugal, according to internal source, the television advertising market grew +1.5% in 2016. The Radio market grew +6% respect 2015 and Internet advertising market grew by +8.1%.

Economic environment in Latin America

Growth in countries to which Prisa is exposed has been uneven, with economic conditions worsening in some countries (Brazil, Venezuela, Argentina, Ecuador and Puerto Rico), while showing larger growth in others (Colombia, Mexico, Chile and Peru). Growth trend will continue in all countries according to IMF (October 2016) except in Venezuela, Ecuador and Puerto Rico. Brazil will return to growth after two years of descend (it will grow +0.5%) and Argentina will also return to growth (+2.7%).

Group's results in Latin America have been negatively impacted by the weakness of the Exchange rate in the region (mainly due to Argentina, Mexico, Colombia and Brazil). This negative impact reached EUR 59.5 million at revenue level and EUR 14.5 million at EBITDA in 2016. As a result, reported revenues from Latin America fell by -1.0% compared to the growth of +8.6% at constant currency. EBITDA in Latin America falls by -5.2% compared to +3.5% at constant currency.

The impact of exchange rate volatility was higher in 1H of 2016, reducing its effect in the second half of the year for major Latin American currencies.

During 2016, the currencies in Argentina, Mexico, Colombia and Brazil have represented 93% of the impact on revenues and 87% of the impact on EBITDA.

3. HUMAN RESOURCES

Objectives and policies

Responsible human capital management in Prisa has the following objectives:

- Promote the **professional growth** and **personal development** of all employees in a work environment conducive to equality of opportunity without any discrimination. Base promotion on merit, capabilities and performance.
- Defend and apply the **principle of equality** between men and women, providing the same opportunities for pay and professional development in the workplace at all levels.
- Promote and improve women's **access to posts of responsibility**, reducing the inequalities and imbalances that can occur in a company.
- Introduce measures which promote a **work-life** balance for all workers.

To achieve these objectives, the Human Resources policies pursued by the Group are designed to promote the development of independent, committed professionals and the training of leaders amongst our staff as a means to inform, educate and entertain individuals and to act with social responsibility.

The geographical and cultural diversity of the staff in Prisa and the different jobs they hold, along with the challenges facing the industry and the need to rely on outside providers in our day-to-day activities require effective Management Policies, and company principles and values as outlined in Prisa's Code of Ethics, approved by the Group's Board of Directors in 2015.

The Compliance Unit constituted in 2016 is a support instrument in the communication and fulfillment of the previous objectives and policies.

Staff training

Staff training and continuing professional development are fundamental to Group policy and allow it to maintain optimal professional behaviour, high standards and excellent service.

Prisa's employees have access to a variety of courses from amongst the training opportunities that the company makes available to all its employees. These courses use a variety of tools for both face-to-face and online training (Prisa Campus).

In relation to face-to-face training in 2016, a transversal coordination effort was made to optimize all business unit training plans in order to improve the satisfaction results and the material reach of all of them.

PRISA CAMPUS is the online training portal for all the Group's employees. It is oriented to the development of our matrix of competencies for employees and to complement the process of sectoral professional reconversion that has been produced by the transformation of the traditional economy of the media into a digital economy. In 2016, it was possible to quantify a total of 1,690 registered students and in total there were 486 students who finished some of the courses and modules offered. Among the new features of the catalog were the following: *Introduction to project management, Introduction to innovation and creativity, Introduction to Scrum and Scrum Master, and the Master in Advanced Digital Skills (2nd Edition)*.

The objective during 2017 will continue to be to increase the training offer to cover the most strategic and urgent needs detected anywhere in the organization, prioritizing three lines of global action: L1, development of leadership skills and teamwork; L2, transverse range digital transformation; L3, retraining and retraining of specific professional groups.

My idea! Is the open innovation platform for all employees to contribute their suggestions, improvement projects and even intellectual property to generate potential patents. The number of users per year reaches 4,701 and the number of spontaneous ideas proposed 340. This tool is aimed at identifying both individual talent and disruptive ideas that can arise from any angle of the organization. In addition, the innovation departments and Change Agents of each business unit are challenging to encourage participation and obtain seed for improvement projects for the Group's business as a whole.

Factoría de Experiencia (FEX) is another initiative to promote the Group's collective intelligence development through the identification of expert employees, who are responsible for providing useful knowledge to the entire organization. It has an online

platform, which is accessible to all employees. This platform also integrates the experience and knowledge gained from the most relevant business, organization and technology projects. The number of users already reaches 2,546 users (and the number of pieces of knowledge published is 85).

Equality and Diversity Management

Prisa endorses, supports and promotes all policies that contribute to **equality of opportunity** and **non-discrimination** on the grounds of race, religion, gender or political affiliation. Group companies strictly comply with these principles in their day-to-day management.

It should be stated that all members of the Group are mandatorily required to have a Code of Ethics which includes, amongst their core values, pluralism and the respect for other ideas, cultures and people. Prisa undertakes to respect and protect human rights and public liberties, with its main objective being the respect for human dignity.

The intranet of the Group and its business units contains a declaration of the principles underlying the business of member companies which are used to promote equality, diversity and the inclusion of disadvantaged groups.

The **inspirational principles** which have been adopted by managers and workers alike are:

- A determination to respect the principle of equality of treatment in the workplace.
- A rejection of any type of discrimination on the grounds of gender, marital status, age, racial or ethnic origin, religion or belief, disability, sexual orientation, political ideas, membership of trade unions, etc.
- Particular attention to complying with equality of opportunity for men and women in access to employment, career progression, training, employment security and equality in pay.

A commitment to create positive working environments, prevent harassment and take action to resolve any cases that may occur.

Occupational health and safety

Prisa continues to promote a culture of prevention in all of its member companies, and has made a firm commitment to include risk prevention and occupational health in the overall management system of its companies.

In 2016, the Joint Prevention Service has focused its activity on the identification of psychosocial risk factors that may pose a risk to the health of workers.

Regulatory risk assessment audits have been carried out at the relevant companies, with satisfactory results.

Quarterly meetings with all Health and Safety Committees have continued to be held.

Emergency evacuation measures have been implemented.

In short, ensure at all times the continuous improvement of working conditions.

Social benefits

The Group wants all its companies to have suitable social benefits to give them a competitive edge to attract and retain the best employees. Each of the 22 countries in which the Group operates has its own special features to which the Human Resources Management Policy must be sensitive. It must offer a response that meets the needs and expectations of the employees of these companies.

In general terms, the social benefits that our employees receive in Spain include life insurance, invalidity or incapacity cover and maternity/paternity benefits. In general, the Group companies in Spain make no distinction between full-time and part-time employees, or between employees with permanent or fixed-term contracts when offering these benefits.

Within this framework, the flexible remuneration program that was designed in 2012 during the year 2016 continues to be implemented for companies in Spain with the entire product catalog. In addition, the Group companies in Portugal have a similar remuneration system.

Work-life balance

All business units have become aware of the benefits to be derived from balanced days which offer their employees a better opportunity to achieve the right work-life balance. In this regard, it is now common practice to have flexitime arrangements, opportunities for teleworking, flexible working and compressed hours in the summer and at Christmas and Easter.

In addition, in 2016, in Spain, we have kept our plan to promote a better work-life balance based on five elements and intend to carry it forward to future years:

- Special voluntary leave with a guaranteed job to return to, pay and social security contributions.
- Extension of paid annual holidays with social security contributions.
- Extension of weekly rest days (4-day weeks) with maintenance of social security contributions.
- Permission to attend training, help with expenses and contributions to social security.
- Reduction of working hours without legal guardianship.

4. ENVIRONMENT

Prisa is committed to reducing the costs and the impact that our operations may have on the environment. The Group's Environmental Security Policy includes a series of basic principles in the area of legal compliance that contribute to the continuous improvement of our operations:

- Prisa will comply with all applicable legal requirements, and will, whenever possible, make every effort to anticipate them.
- The group will actively strive to reduce and prevent pollution and waste, and to conserve energy in all its operations.
- The group will require its suppliers to conduct their operations in an environmentally responsible manner.
- The group will ensure the safety of industrial operations, to avoid negative impact on the environment.

This policy is divided into three levels of action:

- Emission control
- Consumption control
- Waste Control

The aim is to provide safe products and services that respect the environment throughout their life cycle, and to conduct operations in an environmentally responsible manner.

The expenses incurred in respect of environmental compliance, which have not been material, are charged to the income statement as they arise.

The Group believes that it have no environmental responsibilities, expenses, assets, provisions or contingencies that might be material in relation to our equity, financial condition and results of operations.

5. LIQUIDITY AND CAPITAL RESOURCES

Financing

Note 11b "*Financial Liabilities*" of the accompanying notes to the consolidated financial statements of Prisa for 2016 provide a description of the use of financial instruments by the Group.

Contractual commitments

Note 14 "*Operating Expenses- Operating leases*" and note 23 "*Future Commitments*" to the consolidated financial statements provide information on firm commitments giving rise to future cash outflows and associated with purchases and services received and any operating leases for buildings and the radio frequencies.

6. PRINCIPAL RISKS ASSOCIATED WITH THE BUSINESS

The activities of the subsidiaries of the Group and therefore its operations and results are subject to risks that can be grouped into the following categories:

- Strategic and operational risks.
- Financial risks.

In the Corporate Governance Report (*see Section E*) are detailed and specific actions organs that are used to identify, valuate and manage these risks.

Strategic and operational risks of the business of the Group

Macroeconomic risks-

In 2016, growth rates in Spain and Portugal were positive. After the important slowdown and volatility experienced in recent years, from year-end 2013, a change in this trend was shown and was consolidated in recent years, with forecasts of growth for 2017.

Main consumption indicators in these countries have been significantly deteriorated, and have impacted and still could impact, in case expectations of growth are not attained, in the future spending by customers on the products and services of the Group, including advertisers and other consumers of the content offerings of Prisa.

Furthermore, the activities and investments of Prisa in Latin America are exposed to the evolution of the various macroeconomic parameters of each country including a potential decline in consumption as a result of a slowdown in the growth rate in some of these countries, or recession in the economies.

Venezuela is maintained as the economy with the greatest structural risk in the Latin American region, while Brazil shows signs of stabilization, and is expected that it returns to positive growth rates in 2017. Colombia grew in the year although with risks related to inflation. Chile showed certain signs of acceleration. Mexico showed signs of slowdown due to the result in the American presidential election and Argentina remained immersed in its economic transition process. In general terms, macroeconomic forecasts are showing growths in most of the countries except Venezuela, Ecuador and Puerto Rico.

During 2016, the Group's results in Latin America were negatively affected by the weak exchange rate in the region. The impact of exchange rate volatility has become more moderated during the second half of the year. For 2017, an appreciation of major Latin America currencies is expected (except in Mexico and Argentina) in the comparison with 2016.

Additional deterioration of exchange rates could have an adverse effect on operating results and the financial condition of the Group.

Decline in advertising markets-

A relevant portion of the operating income (revenues) comes from advertising revenues through the press, radio, audiovisual and digital businesses. Expenditures by advertisers tend to be cyclical, reflecting overall economic conditions and perspectives.

In case those growth expectations in Spain, Portugal and certain Latin American countries were not met and the slowdown in growth or recession in other Latin American countries continued, the outlook for the Group's advertisers could be adversely affected. In view of the high component of fixed costs associated with business with a high component of advertising revenue (mainly Radio, Press and Television), a drop in advertising revenues directly impacts operating profit and therefore the ability to generate cash flow of the Group.

In addition, advertising revenue in the print media is affected by the change in the business model of the sector towards a digital environment.

Drop of circulation-

Press revenues from copy sales and subscriptions continue being negatively affected by the growth of alternative means of distribution, including free Internet sites for news and other contents. At the moment, there is no sign of this trend to change.

Competition risk-

The businesses of audiovisual, education, radio and press in which Prisa operates are highly competitive industries. The ability to anticipate and adapt to new needs and customer demands, influences the position of the Group's businesses compared to other competitors.

Sector regulation-

Prisa operates in regulated industries and is therefore exposed to regulatory and administrative risks that could adversely impact its business.

Specifically, the Group businesses are subject to comprehensive regulations including the requirement to maintain concessions and licenses for the operations in Audiovisual and Radio segments, while the business of education is subject to the applicable law on national or regional education cycles.

Country risk-

The Group operations and investments may be affected by various risks typical to investments in countries with emerging economies or under unstable situations, the most significant of which include devaluation of foreign currencies, introduction of exchange restrictions, inflation, expropriation or nationalization of foreign assets, changes in applicable foreign tax levels or changes in policies and regulations.

In the specific case of Education, a relevant part of its revenues in Latam come from public sales to Governments. Sales of the business could be negatively affected as far as macroeconomic parameters worsen or there are changes in educational policies.

Litigation risks-

Prisa is involved in significant litigations, which are described in the accompanying consolidated financial statements. Additionally, Prisa is exposed to liabilities for the content of their publications and programs.

Digital activity and safety net systems-

Digital activities depend on internet service providers, online service providers and on systems infrastructure. Significant system failures or security breaches could have an adverse effect on operating results and financial condition of the Group.

Technological risks-

In order to maintain and increase its businesses and competitiveness, Prisa must adapt to technological advances, for which research and development are key factors. Technological changes may facilitate the entry of new competitors and potential market share decrease of the Group.

In addition, services for managing information technology and developing R&D+innovation projects in some of the companies of the Group are outsourced to Indra Sistemas, S.A. ("Indra"). If these services were not to continue or were transferred to a new services provider, the operations of the Group could be affected.

Financial Risks*Financing risks -*

The financial obligations of the Group are described in note 11b "*Financial Liabilities*" of the consolidated financial statements for 2016.

As is described in that note, in the month of December of 2013 the Group signed a debt refinancing agreement.

From that moment, the company paid off a total of EUR 1,751,385 thousand using the proceeds from the sale of Mediaset España, DTS and the increases in capital subscribed by Consorcio Transportista Occher, S.A. de C.V. and International Media Group, S.A. Additionally, during 2016 financial debt was reduced by EUR 100,742 thousand due to the issuance of mandatorily convertible bonds into newly issued ordinary shares of Prisa through conversion of financial debt of the company.

These operations allowed the Group to fulfill in advance commitments of debt reduction included in the refinancing agreement at December 31, 2015, in such a way that the next relevant financial commitment is to fall due in 2018, when Tranche 2 falls due for a total amount of EUR 956,512 thousand.

The Group is studying several options to meet these objectives such as the total or partial sale of assets, buying back debt at a discount in the market, leveraging operating assets and carrying out other corporate transactions. These options under study could be insufficient in case the generation of proceeds was not enough or in case the company does not reach an agreement with financial entities.

The value of the Group's assets in possible divestment processes could be affected by changes in financial markets or in the macroeconomic situation of the countries in which the Group operates. In this sense, the value of the assets could be affected by exchange rate depreciations against the euro or by situations of deceleration and volatility in different countries.

According to the contracts governing borrowing conditions and stipulated requirements, Prisa must meet certain commitments and financial leverage ratios (covenants). These contracts also include cross-default disposals.

As of December 31, 2016, the level of the Group net bank debt (EUR 1,486 million), imply certain risks:

- increasing the vulnerability to general economic downturns and adverse industry conditions;
- requiring a portion of cash flow from operations to be dedicated to the payment of interest on the indebtedness, therefore reducing the ability to use cash flow to fund short term operations, working capital requirements, capital expenditures and future business operations;
- exposing the Group to the risk of increased interest rates, as a part of the borrowings are at variable rates of interest; and
- limiting the ability to adjust to changing market conditions and placing the Group at a disadvantage compared to competitors who have less debt.

Equity situation of the parent company of the Group-

The equity situation of the parent company of the Group has been affected in the past by losses from registering the sale agreement of 56% of DTS which led to the automatically converted Tranche 3 debt into participating loans, in order to restore the equity balance, as shown in the Group's financing agreements (*see note 11 "Financial Liabilities" in the consolidated financial statement of Prisa*).

At December 31, 2016 the equity of the Company with respect to the cause of dissolution and/or reduction of capital stipulated in Spain's Corporate Enterprises Act (including participating loans outstanding at end) stood at EUR 159,176 thousand, which was over two thirds of the share capital.

Additional losses to be registered by the Parent Company could result in an equity imbalance situation and could imply that the company was in cause for dissolution.

Liquidity Risk-

The adverse macroeconomic situation, with significant drops in advertising and circulation has had a negative impact on the ability of the Group's cash generation in the last years, mainly in Spain. The advertising-dependent businesses have a high percentage of fixed costs and drop in advertising revenue significantly impact on margins and cash position, hindering the implementation of additional measures to improve the operational efficiency of the Group.

The Group thoroughly analyzes receivables and payments of its activities and maturity of financial and commercial debt. In relation with the commercial credit risk, the Group evaluates the aging of the debt and constantly manages receivables.

Additionally, the group analyzes on a recurrent basis other financing sources to cover short and medium term liquidity needs. However, as of December 31, 2016, the Group still maintains a net bank debt level of EUR 1,486 million.

Minority interests -

There are significant minority interests in some cash generating companies, to highlight education and radio. Santillana is required to pay to its minority shareholders (25% of its share capital) a predetermined fixed preferred dividend.

Interest rates risk exposure-

Approximately 59.85% of its bank borrowings terms are at variable interest rates, and therefore the Group is exposed to fluctuations in interest rates. Currently the Group has no interest rate hedges arrangements.

Fluctuations in foreign exchange rates-

The Group is exposed to fluctuations in the exchange rates mainly in the financial investments in Latin American subsidiaries, and for the revenues and results from those investments.

In order to mitigate this risk, as far as there are available credit facilities, the Group arranges hedges to cover the risk of changes in exchange rates (mainly foreign currency hedges and forwards) on the basis of projections and budgets which are reviewed on a monthly basis, in order to reduce volatility in cash flows transferred to the Parent from foreign subsidiaries.

Tax risks-

Tax risks of the Group are related to a possible different interpretation of the rules that could make the competent tax authorities as well as to the changes in tax rules in the different countries in which the Group operates.

Directors consider probable the recoverability of the tax assets within the legal deadline, although there is a risk that the ability to generate taxable income would not be sufficient to allow the recoverability of the tax credits arising from carry forward of tax losses, the limitation of the deductibility of interest and depreciation expenses and tax deductions.

7. OUTLOOK

The media industry is highly sensitive to trends in the main macroeconomic variables (i.e. GDP), consumption and, especially, the advertising cycle. Businesses like Education and Radio, with international presence, are also sensitive to the foreign exchange evolution. Business operations therefore will be affected by these inputs.

During 2017, growth expectations for Iberia continue, according to IMF (October 2016).

Activities and investments of Prisa in Latin America are exposed to macroeconomical inputs in every country, including potential consumption decline, as a consequence of lower growth rates or even a reduction of the economy.

According to the IMF macroeconomical scenario (October, 2016), in Latin America, growth is expected to continue during 2017, in all of the countries in which Prisa is present, except

in Venezuela, Ecuador and Puerto Rico. Brazil will return to growth after two years of descend (it will grow +0.5%) and Argentina will also return to growth (+2.7%).

Economical growth will affect the evolution of the group's businesses. Results will also be affected by the exchange rate evolution. In 2016, results were negatively affected by the weakness of the exchange rate in the region. The impact of exchange rate volatility was higher in 1H of 2016, reducing its effect in the second half of the year. For 2017, an appreciation of major Latin America currencies is expected (except in Mexico and Argentina) in the comparison with 2016.

Another variable influencing future performance is the advertising cycle. However, Prisa's exposure to the evolution of the advertising market is limited due to the diversification of its income (advertising revenues represent 35.6% of the total revenues of 2016). Advertising-dependent businesses have a high percentage of fixed costs, so the increase in advertising revenues significantly impacts on the results, which implies an improvement of margins and cash position of the Group.

Digital advertising is increasing significantly. Specifically, it increased by 13.0% in 2016 and in the Press Business Unit it now represents 41% of advertising revenue (36% in 2015). It is expected that the growth trend will continue in 2017, according to i2P (October 2016).

During 2016 advertising market grew in Spain +3.1% according to public sources (i2p). The same source estimates for 2017 that growth will continue in the Spanish market with a +2.9% increase.

In Spain, Group's advertising revenues fell -0.9% in 2016, due to lower local advertising in Radio and lower offline advertising in Press. It has been partially offset by the evolution of digital advertising and events. For 2017 it is estimated that advertising revenues will grow in line with market growth expectations and due to the digital advertising evolution and an improvement in Radio's performance.

In Portugal, advertising market evolution suffered a slow down due to the economical situation of the country. In 2016, growth has returned to the market (+1.5% in television, +6% in radio and +8.1% in internet, according to internal sources). In this context, advertising revenues of Media Capital increased by 4.1% over 2015, above market growth. For 2017 it is expected that advertising market will continue to grow, although at a lower rhythm in television and radio. Media Capital expects to grow above market growth.

In Latin America, according to Zenith Optimedia (June 2016), the radio advertising market will fall in 2016 -7.7, at constant exchange rates. Prisa Radio in Latin America fell by -5.2% (lower than market decline) at constant exchange rates, affected by the political, economic and social situation in Colombia, combined with the complicated situation in the advertising Radio industry. By 2017, it is expected a return to growth in Prisa Radio in a market that remains with declines (-2% according to Zenith Optimedia, June 2016), although more moderated than in 2016.

Prisa has other, less cyclical, businesses that do not depend on advertising but still show scope for growth, especially in Latin America. One example is Education, which in 2016 contributed 47.2% of the Group's total revenues and 67.5% of its EBITDA. In Latin America, revenues grew by +0.6%, besides the negative currency effect. Excluding the

foreign exchange effect, Education increases +9.5% due to Peru's institutional sales, South Area Campaigns growth, and that 2016 is a medium year in the institutional sale cycle of Brazil (2015 was a low year in the cycle). South Area Campaigns evolution, as a whole, has been positive overall in local currency in 2016. North Area Campaigns have fallen -2.3% on constant currency, due to the Spanish campaign (2016 was a year with no renewals) and due to the delay in the Mexican new educational law. On the other hand, Digital Education Systems (UNO and Compartir) continue their expansion in Latin America, improving profitability in local currency and growing in the number of students. The evolution in 2017, in what refers to Digital Education Systems depends essentially on the recruitment of students in the countries, in the institutional sales and in the Exchange rate evolution. Norma will contribute with growth to the Group, because it accounts in 2017 for the whole year, while in 2016 it started to consolidate in the Group in October (3 months in 2016).

Part of the Group's growth for 2017 will rely on digital growth. Digital audience numbers rose sharply (122.5 million unique browsers at December 2016, up 9% from last year). In 2017, the Company will continue its efforts to boost digital growth in all its business lines. Specifically, in Press the focus will remain on fully leveraging the leadership positions of El País and As newspapers, not only in Spain, but also in the American market, in addition to increase the digital video advertising.

In 2017 the Group will continue to reinforce its capital structure, debt reduction and focusing on cash generation.

8. RESEARCH AND DEVELOPMENT ACTIVITIES

The Group is constantly adapting its applications and current management processes to the changes occurring in its businesses and the technological change within its environment. It achieves this through its participation in and membership of national and international associations and forums enabling it to identify potential improvements or innovation and development opportunities for its services, processes and management systems.

Throughout 2016, the press unit, through **Prisa Noticias**, continued to drive the video, mobility and content distribution areas on the different market platforms.

EL PAÍS has continued to advance in mobility, focusing particularly on three areas.

In February a new iOS application was launched, which duplicated consumption. These developments, along with those made earlier on Android, improved the experience in such a way that users consumed more than 100 pages per month during the summer, and won the Bronze Lovie Award.

The main protagonist of the year, however, was the responsive redesign of the web released in April, which won the ÑH Silver Award. Thanks to this, *elpais.com* may be consulted from any type of device, be it mobile, tablet or PC, in optimal conditions and without losing any details of the contents.

Finally, multidistribution in Google y Facebook formats has been perfected: Google's AMP deployment has continued, which has increased the number of users arriving to *EL PAÍS*

from search engines by 30%, and Instant Articles has been launched on Facebook, with 21% accessing EL PAÍS on Facebook from a mobile.

The other main innovation area has been video. On the one hand, *EL PAÍS* has launched an Immersive Journalism project with the 360° documentary *Fukushima Vidas Contaminadas*, winner of the Silver and the Public Lovie Awards. As a vehicle of these initiatives, the *EL PAÍS* VR application was created, which Google has included in its group of the Most Innovative Apps 2016. On the other hand, an ambitious schedule of retransmissions has been proposed for Facebook Live, with numerous weekly programs. The year ended with the first steps towards the implementation of Youtube as a video platform, with *EL PAÍS* being the first Spanish broadcaster to develop this concept within the Digital News Initiative and the recently launched Apple TV Application.

2016 was also the year of the bot: in June *EL PAÍS* launched its Facebook Messenger bot followed by Twitter bot in November.

AS achieved its maximum historical audience in June 2016, with 7,735,000 unique PC users worldwide, according to Comscore data. In addition, the local editions in Chile, Mexico and Colombia are now in the top 3 sports media consumed in each of their markets according to Comscore.

In 2016 AS backed mobility and in July published all its editions in responsive format. In October it published a new mobile editorial application containing all the available international editions and the new section *MI ZONA*, where users can select and access the content that interests them with a single click. The *Copa América Bicentenario* app was also updated this year as was the League Guide with the updated information for the 2016-2017 season.

With regard to content distribution on news outlets for mobile devices, the publication of Facebook Instant Articles and Google AMP commenced.

In November 2016, AS was select by the Google DNI investment fund for its project Football Data Suite, which is focused on bringing data journalism closer to newsrooms for content creation. The project will be developed in 2017.

In 2016 **Prisa Radio** intensified its efforts to position its products as references in the digital media ecosystem, seeking to lead the development of online audio in all its markets. Major efforts are being made to broaden the range of multimedia content offered and make it available to users where and when they want to consume it.

The main lines of progress this year were:

- The redesign of the sites of 5 talk and 3 music radios in America in order to provide all the products with content management tools that boost audio consumption, facilitate the publication of multimedia content, adapt to mobile consumption and generate more traffic and, thus higher revenues. In Spain we have worked to adapt the responsive design articles (already launched on Cadena SER).

- Work on improving the *LOS40* (launched in December 2016) and *Cadena SER* (launched in January 2017) applications to increase user interaction and consumption of multimedia content. 7-radios applications have also been launched using the enterprise application development platform Replicapp.
- Podium Podcast, a global podcast network in Spanish, with its own web, app and multi-distribution in digital audio aggregators, was also launched.
- The Hertz project, funded by the Google Media Innovation Fund, was launched to improve audio search results and increase audio consumption.
- Finally, in the systems area, progress was made in updating the broadcast platform in Spain, Colombia and Chile.

In terms of **Education**, Santillana has maintained its commitment to including technology both in content solutions and in educational services. The most relevant initiatives were:

- Following the development of content for **Knewton adaptive learning technology**, the final **A2O** product for first grade Secondary school algebra (12-13 years) was tested in schools. The experiment involved 9 countries, 60 schools, 80 teachers and 1,250 students, who tested the functioning of a platform capable of designing individualized learning itineraries in real time and offering differentiated information on the performance of each student to teachers.

The main conclusions were: a) An excellent valuation of the user experience for the simplicity of the proposal and the clarity of the interface; b) adequacy of contents according to level of difficulty and progression; c) the usefulness of data-based technology; d) the versatility of the platform functions: it increases student motivation, is complementary as reinforcement and extension, facilitates review and preparation of exams, etc.; e) the robustness and scalability of Knewton's technology. In addition, internally we have learned the specific characteristics of an editorial work to design an adaptive work experience.

- Within the scope of **Mathematics** and given its importance as a common stumbling block, *Editora Moderna* has developed an investigation into the main difficulties presented in the learning of the subject. The study has focused on the 6th to 9th courses in the curricular content blocks related to "Numbers and Operations" and "Algebra". The objective was to obtain a map of the main problems through a diagnostic tool that detects the main and most frequent failures in both concepts and mathematical contents, as well as the application of both in specific contexts. A total of 856 students were evaluated following the Theory of Response to the Item in the preparation of the questions.
- **Saber y Más**, the digital content repository has been incorporated into the HP projector offering for the schools market.
- A proposal has been created for the evaluation of schools under the brand "**Programa Logros**" that integrates the *HabilMind* platforms (diagnostic evaluation of institutional variables of a center as well as cognitive and emotional

aspects of the students), Efficient Learning (a portal for training in the basic cognitive skills on which learning is based, particularly mathematical and reading competence) and *PLENO* (an evaluation tool from the point of view Academic and curricular view), these three proposals in digital support are joined by a collection of practice notebooks to strengthen skills and competences.

- The second **SantillanaLab** call has been developed as a platform and meeting point for experts from different educational fields in relation to innovation that will allow Santillana to obtain a vision of current trends. One of the highlights of this year was the analysis of the potential of video in the service of teaching and learning; new methodologies such as Project Based Learning, the impact of the maker culture on the school, the transformation of educational spaces and the new organizational and management models of innovation-oriented schools were also studied and discussed.
- The first phase of the project **SET21**, Santillana's proposal to educate the citizen of the 21st century, has been completed. True to its avant-garde vision, the project presents proposals to train in the skills and competences that the students will need for their better personal and professional fulfilment in the Internet and Knowledge Society. The editorial plan includes teacher and classroom material, workbooks for the student and a web as SET21 community space to create an innovative educational experience. Five programs have been published: Aprender a Emprender (entrepreneurship and leadership), Aprender a Pensar (cognitive skills), El Valor de las Cosas (economic and financial training, sustainability and responsible consumption), Navegar y Programar (teaching computational thinking and digital skills) and Las Cosas (programming and code learning). A pilot has been developed in Argentina and Chile which will be followed by its commercial launch in Spain, Colombia and Mexico.

In addition to what is highlighted above, in 2015 **Prisa Video** was created to develop and promote the video production, distribution and commercialization within the Prisa Group, in entertainment, current fairs, information, fiction and education.

Prisa Video launched a prestigious audio-visual production label, incorporating the new digital video narratives, and classical production for third parties. One of the main objectives of this production company is to develop content together with the advertisers and thus drive commercial transformation and growth of native advertising.

Prisa Video also analyses the opportunities within the digital video business environment separate from our current brands to design and launch new products.

This crosscutting division of Prisa also works daily with technology and commercial teams to qualify the content offer and the video commercial strategy for the entire Group.

Other objectives include driving distribution agreements, identifying video tools and expanding the project in Latin America and USA Hispanics.

In quantitative terms, in 2016, the Group achieved 457 million views of its websites.

9. TREASURY SHARES

Prisa has performed, and may consider performing, transactions with treasury shares. These transactions will always be for legitimate purposes, including:

- Undertaking treasury share acquisitions approved by the Board of Directors or pursuant to General Shareholders' Meeting resolutions.
- Covering requirements for shares to allocate to employees and management under stock option plans.

The operations of treasury shares, don't realize on the basis of privilege information, nor respond to an intervention purpose in the free process of price formation.

At December 31, 2016, Promotora de Informaciones, S.A. held a total of 330,407 treasury shares, representing 0.422% of its share capital.

Treasury shares are valued at market price at December 31, 2016 (5.250 euros per share). The total amount of the treasury shares amounts to EUR 1,735 thousand.

At December 31, 2016, the Company did not hold any shares on loan.

10. SHARE PERFORMANCE

Description of Prisa's shareholder structure.

Prisa's share capital at December 31, 2016 consisted of 78,335,958 ordinary shares. These shares are listed on the Spanish stock exchanges (Madrid, Barcelona, Bilbao and Valencia).

In 2016, Prisa has reached an agreement with some of its main lenders to issue a mandatorily convertible bond into Prisa shares at 10 euros per share through debt exchange.

The amount of the mandatorily convertible bond reaches EUR 100,742 thousands and the conversion into Prisa shares will take place in 2018. The conversion in 2018 will imply the issuance of 10,604,878 new shares including the annual coupon payable in new shares of the Company. Total shares of Prisa including this issuance totalize 88,940,836 shares.

Following the changes in the Company's share capital in 2016, its main shareholders are Amber Capital, Telefónica, Rucandio, Consorcio Transportista Occher S.A, International Media Group, HSBC, Santander and Caixabank. Free float stands at around 19%.

Share price performance

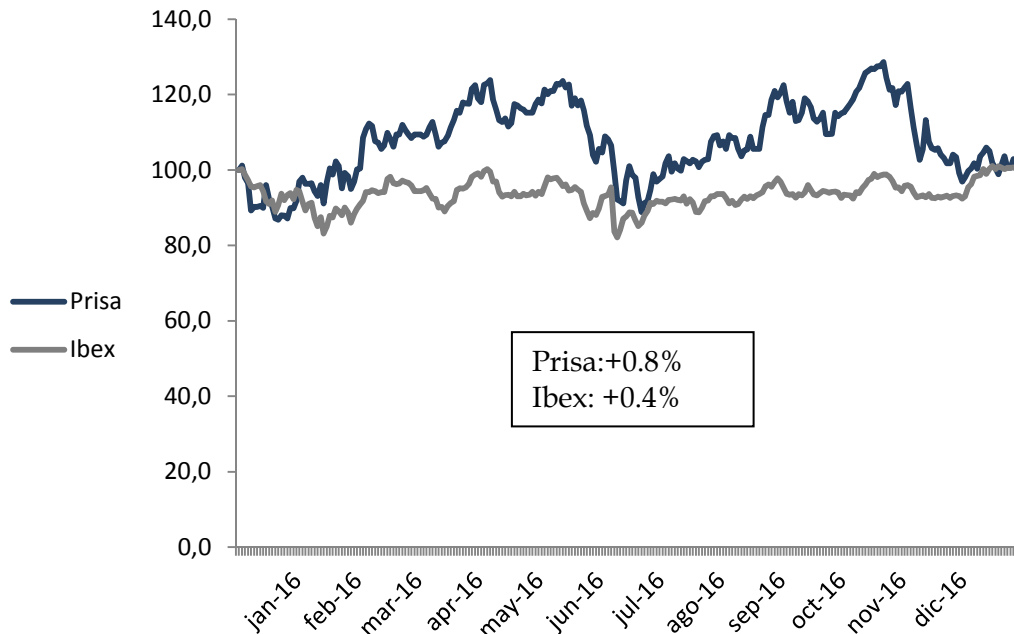
Prisa ordinary shares began 2016 trading at a price of EUR 5.22 per share (January 1, 2016) and ended the year at EUR 5.25 per share (December 30, 2016), implying a revaluation of +0.8%.

Prisa's share price performance was mixed over the quarters, with a +11.1% increase in the first quarter, - 12.7% fall in the second, +12.5% increase in the third and a fall of -7.9% in the fourth. Performance was heavily shaped by the macroeconomic and political

developments in Spain and in the Latam economies and the evolution of the financial markets throughout the year.

The following chart shows the performance of the Prisa Group's shares relative to the IBEX35 index in 2016, indexed in both cases to 100:

Share price performance Prisa versus Ibex-35 (January-December 2016)



Source: Bloomberg (1 January 2016, 30 December 2016)

11. AVERAGE SUPPLIER PAYMENT TIME

According to the information required by the third additional provision of Law 15/2010, of 5 July (amended by the second final provision of Law 31/2014, of 3 December) approved in accordance with the resolution of ICAC (Spanish Accounting and Audit Institute) of January 29, 2016, the average period of payment to suppliers in commercial operations for companies located in Spain rises, in 2016, to 82 days.

The maximum legal period of payment applicable in 2016 under Law 3/2004, of 29 December, for combating late payment in commercial transactions, is 60 days.

During the coming financial year, the Directors will take the appropriate measures to reduce the average period of payment to suppliers to legally permitted levels, except in cases where specific agreements with suppliers exist which set further deferments.

12. EVENTS AFTER THE BALANCE SHEET DATE

No significant events have occurred since December 31, 2016 until the date of approval of these consolidated financial statements.

13. ANNUAL CORPORATE GOVERNANCE REPORT

(See Appendix II)

APPENDIX II: ANNUAL REPORT ON CORPORATE GOVERNANCE



ANNUAL REPORT ON CORPORATE GOVERNANCE

LISTED COMPANIES

FINANCIAL YEAR: 31.12.2016

TAX ID CODE: A-28297059

Corporate Name: **PROMOTORA DE INFORMACIONES, S.A.**

Registered address: Gran Vía, 32. Madrid 28013

A. OWNERSHIP STRUCTURE

A.1. Complete the following table concerning the company's share capital:

Date Last Modified	Share Capital (€)	Number of Shares	Number of Voting Rights
23/12/2015	235,007,874 €	78,335,958	78,335,958

Indicate whether there are different classes of shares having different rights:

NO

A.2. Indicate the direct or indirect owners of significant holdings in your organization at the end of the financial year, excluding Board Members:

Shareholder's Name	Number of Direct Voting Rights	Number of Indirect Voting Rights	Total % of Voting Rights
AMBER CAPITAL UK LLP	-	15,107,838	19.29
RUCANDIO, S.A.	-	13,729,811	17.53
TELEFONICA, S.A.	10,228,745	-	13.06
INTERNATIONAL MEDIA GROUP, S.A.R.L	6,400,000	-	8.17
GHO NETWORKS, S.A. DE CV	-	6,297,076	8.04
HSBC HOLDINGS PLC	-	5,845,758	7.46
BANCO SANTANDER, S.A.	34,866	3,246,872	4.19
FUNDACION BANCARIA CAIXA D ESTALVIS I PENSIONS DE BARCELONA	-	2,997,879	3.83
DON NICOLAS BERGGRUEN	6,115	947,433	1.22

Indirect Shareholder's Name	Direct Shareholder's Name	Number of Direct Voting Rights
AMBER CAPITAL UK LLP	AMBER ACTIVE INVERSTORS LIMITED	11,841,366
AMBER CAPITAL UK LLP	AMBER GLOBAL OPPORTUNITIES LIMITED	2,770,893
AMBER CAPITAL UK LLP	AMBER SELECT OPPORTUNITIES LIMITED	495,579
RUCANDIO, S.A.	TIMON, S.A.	264,271
RUCANDIO, S.A.	RUCANDIO INVERSIONES, SICAV, S.A.	11,303
RUCANDIO, S.A.	PROMOTORA DE PUBLICACIONES, S.L.	2,574,964
RUCANDIO, S.A.	ASGARD INVERSIONES, SLU	922,069
RUCANDIO, S.A.	OTNAS INVERSIONES, S.L.	3,100,000
RUCANDIO, S.A.	PRISA SHAREHOLDERS' AGREEMENT	6,857,204

GHO NETWORKS, S.A. DE CV	CONSORCIO TRANSPORTISTA OCCHER, S.A. DE C.V	6,297,076
HSBC HOLDINGS PLC	HSBC BANK PLC	5,845,758
BANCO SANTANDER, S.A.	GROUP SANTANDER 'COMPANIES	3,246,872
FUNDACION BANCARIA CAIXA D ESTALVIS I PENSIONS DE BARCELONA	CAIXABANK, S.A.	2,997,879
DON NICOLAS BERGGRUEN	BH STORES IV, B.V	947,433

Indicate the most significant changes in shareholder structure during the financial year:

Shareholder's Name	Date of Transaction	Description of transaction
AMBER ACTIVE INVESTORS LIMITED	01/09/2016	Reached 15% of share capital
AMBER ACTIVE INVESTORS LIMITED	01/02/2016	Reached 10% of share capital
AMBER CAPITAL UK LLP	01/02/2016	Reached 15% of share capital
SOCIETE GENERALE, S.A.	16/02/2016	Dropped from 3 % of share capital
TELEFÓNICA S.A.	01/02/2016	Reached 3 % of share capital
TELEFÓNICA S.A.	01/02/2016	Reached 5 % of share capital
TELEFÓNICA S.A.	16/02/2016	Reached 10 % of share capital

A.3. Complete the following tables concerning members of the Board of Directors who hold voting rights in the Company:

Director's Name	Number of Direct Voting Rights	Number of Indirect Voting Rights	Total % of Voting Rights
JUAN LUIS CEBRIAN ECHARRI	226,686	48,330	00.35%
MANUEL POLANCO MORENO	8,597	23,841	00.04%
JOSE LUIS SAINZ DIAZ	28,618	0	00.04%
ROBERTO LÁZARO ALCÁNTARA ROJAS	9,525	0	00.01%
JOSE LUIS LEAL MALDONADO	606	0	00.00%
GREGORIO MARAÑÓN BERTRAN DE LIS	14,512	16,435	00.04%
ALAIN MINC	17,389	0	00.02%
JOHN PATON	133	0	00.00%
ERNESTO ZEDILLO PONCE	16,187	0	00.02%

DE LEON			
JOSEPH OUGHOURLIAN	0	15,107,838	19.29%
KHALID BIN THANI BIN ABDULLAH AL-THANI	0	6,400,000	08.17%
BLANCA HERNANDEZ RODRIGUEZ	0	0	00.00%
MARIA ELENA PISONERO RUIZ	1,895	0	00.00%
ALFONSO RUIZ DE ASSIN CHICO DE GUZMAN	0	0	00.00%
GLEN RICHARD MORENO	0	0	00.00%
DOMINIQUE D'HINNIN	0	0	00.00%
WAALED AHMAD IBRAHIM ALSA'DI	0	0	00.00%

Indirect Shareholder's Name	Through: Direct Shareholder's Name	Number of Voting Rights
JUAN LUIS CEBRIÁN ECHARRI	CONTROLLED COMPANIES	48,330
MANUEL POLANCO MORENO	CONTROLLED COMPANIES	23,841
GREGORIO MARAÑÓN BERTRÁN DE LIS	CONTROLLED COMPANIES	16,435
JOSEPH OUGHOURLIAN	AMBER ACTIVE INVERSTORS LIMITED	11,841,366
JOSEPH OUGHOURLIAN	AMBER GLOBAL OPPORTUNITIES LIMITED	2,770,893
JOSEPH OUGHOURLIAN	AMBER SELECT OPPORTUNITIES LTED	495,579
KHALID BIN THANI BIN ABDULLAH AL-THANI	INTERNATIONAL MEDIA GROUP SARL	6,400,000

Total % of Voting Rights controlled by the Board of Directors	27.98%
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Complete the following table concerning Members of the Board of Directors holding stock options in the Company:

A.4. Indicate, if applicable, any family, commercial, contractual or corporate relationships existing between the owners of significant shareholdings that are known to the Company, unless they are irrelevant or derive from ordinary commercial transactions:

Names of the Related Persons or Entities
RUCANDIO, S.A.
TIMON, S.A.

Type of Relationship
Corporate

Brief Description:
Rucandio, S.A. controls directly 56.53% of the share capital of Timón, S.A.

Names of the Related Persons or Entities
ASGARD INVERSIONES, SLU
TIMON, S.A.

Type of Relationship
Corporate

Brief Description:
Timón, S.A. directly controls 100% of Asgard Inversiones, S.L.U.

Names of the Related Persons or Entities
PROMOTORA DE PUBLICACIONES, S.L.
TIMON, S.A.

Type of Relationship
Corporate

Brief Description:
Timón, S.A. controls directly 82.95% of the share capital of Promotora de Publicaciones, S.L.

Names of the Related Persons or Entities
OTNAS INVERSIONES, S.L.
ASGARD INVERSIONES SLU

Type of Relationship
Corporate

Brief Description:
Asgard Inversiones, S.L.U controls directly 91.79% of the share capital of Otnas Inversiones, S.L.

Names of the Related Persons or Entities
NICOLAS BERGGRUEN.
OTNAS INVERSIONES, S.L.

Type of Relationship
Corporate

Brief Description:
Berggruen Acquisition Holdings S.A.R.L directly holds 8.21% of Otnas Inversiones, S.L.

Names of the Related Persons or Entities
RUCANDIO, S.A.
PROMOTORA DE PUBLICACIONES, S.L.

Type of Relationship
Corporate

Brief Description:
Rucandio, S.A. controls directly 8,32% of the share capital of Promotora de Publicaciones, S.L.

Names of the Related Persons or Entities

CONSORCIO TRANSPORTISTA OCCHER, S.A. DE CV
GHO NETWORKS, S.A. DE CV

Type of Relationship

Corporate

Brief Description: GHO NETWORKS, S.A. DE CV holds 99.99% of the share capital of Grupo Herradura de Occidente, S.A. de CV, after the split conducted in Grupo Herradura de Occidente S.A. de CV

Names of the Related Persons or Entities
CONSORCIO TRANSPORTISTA OCCHER, S.A. DE CV
GHO NETWORKS, S.A. DE CV

Type of Relationship

Commercial

Brief Description: The company CONSORCIO TRANSPORTISTA OCCHER, S.A. DE CV is a subsidiary of GHO NETWORKS, S.A. DE CV, as a result of which there are various legal, fiscal and commercial links between them.

Names of the Related Persons or Entities
RUCANDIO, S.A.
CONSORCIO TRANSPORTISTA OCCHER, S.A. DE CV

Type of Relationship

Contractual

Brief Description: In April 2014 a shareholders agreement was signed by Timón, S.A., Promotora de Publicaciones, S.L., Asgard Inversiones, S.L.U, Otnas Inversiones, S.L. (all direct or indirect subsidiaries of Rucandio, S.A.) and the shareholder CONSORCIO TRANSPORTISTA OCCHER, S.A. DE CV together with other shareholders of PRISA (see Section A.6 below).

Names of the Related Persons or Entities
AMBER CAPITAL UK LLP
AMBER FUNDS

Type of Relationship

Contractual

Brief Description: Amber Capital UK LLP is the investment manager of Amber Active Investors Limited, Amber Select Opportunities Limited and Amber Global Opportunities Limited and it is vested with discretion to exercise voting rights for the funds under its management pursuant to written investment management agreements. The exercise of the voting rights is also subject to Amber Capital UK LLP's policies and procedures.

A.5. Indicate, if applicable, any commercial, contractual or corporate relationships existing between significant shareholders and the Company and/or its Group, unless they are of little relevance or derive from ordinary commercial transactions:

A.6. Indicate whether any shareholders' agreement have been communicated to the Company pursuant to articles 530 and 531 LSC. If applicable, describe them briefly and list the shareholders bound by those agreements:

YES

Parties to the Shareholders' Agreement
OTNAS INVERSIONES, S.L.
EVIEND SARL
CONSORCIO TRANSPORTISTA OCCHER, S.A. DE CV
MANUEL VARELA UÑA
JOSE BUENAVENTURA TERCEIRO LOMBA
JOSE MARIA ARANAZ CORTEZO
ANDRÉS VARELA ENTRECANALES
JUAN LUIS CEBRIAN ECHARRI
TIMON, S.A.
LIBERTAS 7, S.A.
PROMOTORA DE PUBLICACIONES, S.L.
EDICIONES MONTE ANETO, S.L.
ASGARD INVERSIONES, SLU
INVERSIONES MENDOZA SOLANO, S.L.

% of share capital: 8.75%

Brief Description of the Agreement

PRISA Shareholders' Agreement (See the note in section H)

Parties to the Shareholders' Agreement
RUCANDIO, S.A.
TIMÓN, S.A.

% of share capital: 3.29%

Brief Description of the Agreement

Shareholders' Agreement in Promotora de Publicaciones, S.L. (See the note in section H)

Parties to the Shareholders' Agreement
IGNACIO POLANCO MORENO
ISABEL MORENO PUNCEL
MARIA JESÚS POLANCO MORENO
MARTA LOPEZ POLANCO
ISABEL LOPEZ POLANCO
MANUEL POLANCO MORENO
JAIME LOPEZ POLANCO
LUCIA LOPEZ POLANCO

% of share capital: 17.53%

Brief Description of the Agreement

Shareholders' Agreement in Rucandio, S.A. (See the note in section H)

Indicate, if applicable, any concerted actions among company shareholders that are known to the Company:

NO

Expressly indicate any change or breach of those agreements or concerted actions during the financial year.

NO

A.7. Indicate whether any individual or corporate entity controls or may control the Company pursuant to Article 4 of the Securities Market Law, and if so, identify:

NO

A.8. Complete the following tables concerning the Company's treasury stock:

At year's end:

Number of Direct Shares	Number of Indirect Shares (*)	Total % of Share Capital
330,407	0	0.42%

(*) Through:

Indicate any significant variations during the financial year with respect to the provisions of Royal Decree 1362/2007:

A.9. Indicate the conditions and terms of any current powers conferred upon the Board of Directors at the Shareholders 'Meeting to issue, repurchase or transfer treasury stock.

Regarding the derivative acquisition of own shares, the Shareholders 'Meeting held on June 22, 2013 passed the following resolution:

"1. To revoke, to the extent not used, the authorization granted by the Ordinary General Meeting of 30 June 2012, in point eleventh of the agenda therefore, regarding the authorization for direct or indirect derivative acquisition of own shares.

2. To grant express authorization for derivative acquisition of Class A shares of the Company, directly or through any of its subsidiaries, by purchase or by any other inter vivos act for consideration, for a maximum term of 5 years from the holding of this Meeting.

3. To approve the limits or requirements for these acquisitions, which will be as follows:

- The par value of the shares acquired directly or indirectly, added to that of those already held by the Company and its subsidiaries and, if applicable, the controlling company and its subsidiaries, at no time will exceed the permissible legal maximum.
- The acquired shares must be free of any liens or encumbrances, must be fully paid up and not subject to performance of any kind of obligation.
- A restricted reserve may be established within net worth in an amount equivalent to the amount of the treasury shares reflected in assets. This reserve shall be maintained until the shares have been disposed of or cancelled or there is been a legislative change so authoring.
- The acquisition price may not be less than par value or more than 20 percent higher than market price at the moment of the acquisition. The transactions for the acquisition of own shares will be in accordance with the rules and practices of the securities markets.

All of the foregoing will be understood to be without prejudice to application of the general scheme for derivative acquisitions contemplated in article 146 of the current Capital Companies Act.

4. It is expressly stated that the authorization for the acquisition of own shares granted pursuant to this resolution, may be used, in whole or in part, to acquire shares of the Company to be delivered by it in fulfillment of any compensation plan by means of or any agreement for the delivery of shares or options on shares to the members of the Board of Directors and to the managers of the Company in force at any time, and that express authorization is granted for the shares acquired by the Company or its subsidiaries pursuant to this authorization, and those owned by the Company at the date of holding of this General Meeting, to be used, in whole or in part, to facilitate fulfillment of the aforementioned plans or agreements.

5. The Board of Directors is also authorized to substitute the delegated powers granted by this General Shareholders Meeting regarding this resolution in favor of the Delegated Committee, the Chairman of the Board of Directors or the Chief Executive Officer.”

Likewise, the current powers conferred to issue shares, upon the Board of Directors at the Shareholders ' Meeting, are the following:

- Capital increase in the amount necessary for the conversion of the bonds issued by the Company, which are mandatorily convertible into newly-issued common shares of Prisa, through the capitalization of some credits, for a total amount of 100,742 thousand euros, up to an initially contemplated maximum of 15,790,140 newly-issued common shares of Prisa, corresponding to the maximum number of shares to be issued by the Company based on the conversion price of EUR 10 (which will be adjusted in certain circumstances as provided in the resolution approving the issuance). The issuance has been exclusively aimed to certain financial creditors of the Company that have subscribed a total of 10,074,209 bonds through the capitalization of some credits that amount a total of EUR 100,742,090, in April 2016. The maturity date of the bonds is April 7, 2018, without prejudice to the right of early conversion in certain circumstances as described in the resolution approving the issuance. This resolution was adopted by the Ordinary Shareholders Meeting of April 1, 2016.
- Capital increase in the amount necessary for the rights under the Prisa Warrants issued by the Company to certain of the Company's creditors, that give holders the right to subscribe for new ordinary shares of Prisa exclusively by way of the set-off of receivables, in a maximum foreseen of 37,266,130 euros, through the issue of up to a maximum total set of 372,661,305 new shares with a nominal value of 0.10 euros and with a share premium of 0.1673 euros, although this price will be adjusted in circumstances provided in the agreement. The Prisa Warrants may be exercised by holders, in whole or in part, at any time within a maximum of five (5) years. This resolution was adopted by the Extraordinary Shareholders Meeting of December 10, 2013.
- Resolution delegating authority to increase capital to the Board of Directors, with delegation to exclude preemption rights, if any, adopted by the General Shareholders Meeting of April 20, 2015, in effect until April 2020.
- Resolution delegating to the Board of Directors authority to issue fixed income securities, both straight and convertible into newly-issued shares and/or shares exchangeable for outstanding shares of Prisa and other companies, warrants (options to subscribe new shares or acquire outstanding shares of Prisa or other companies), bonds and preferred shares, with delegation of the authority to increase capital by the amount necessary to cover applications for conversion of debentures or exercise of warrants, and to exclude the preemption rights of shareholders and holders of convertible debentures or warrants on newly-issued shares, adopted by the General Shareholders Meeting of April 20, 2015 in effect until April, 2020.
- Agreement for the transfer of shares in the Company as remuneration for members of the Board of Directors and managerial staff. The total number of shares to be transferred each year may not in any case exceed 1.5% of total capital at any time. The Board of Directors is empowered to adopt such agreements as may be required to meet the obligations derived from this share transfer system in the way that best suits the interests of the Company. The shares to be transferred to participants may be Prisa treasury shares or shares from any other financial instrument specified by the Company. The

above agreement was adopted by the General Shareholders Meeting held on 28 April 2014 and remains in force until April 2019.

A.9 bis estimated floating capital:

	%
Estimated floating capital	24.11

A.10. State whether there are any restrictions on the transfer of securities and/or any restrictions on voting rights. In particular, information must be provided on the existence of any kind of restriction that may impede the takeover of the company by means of share purchases on the market.

NO

A.11 Indicate whether shareholders at the Annual Meeting have resolved to adopt any anti-takeover measures pursuant to Law 6/2007.

NO

If applicable, explain the measures passed and the terms in which restrictions would not apply:

A.12. State whether the company has issued securities that are not traded on an official market in the EU.

YES

If appropriate, state the different classes of share and, for each class of share, the rights and obligations it confers.

i) “American Depositary Shares ”(“ADS”): At the Extraordinary General Meeting of PRISA held on 27 November 2010, ordinary class A shares and convertible class B shares were issued and were formally subscribed by a depositary bank (Citibank NA), acting purely in a fiduciary capacity for the benefit of the real owners of the PRISA shares. Simultaneously with the subscription, the depositary bank issued “American Depositary Shares ”(“ADS”), representing Class A (ADS-A) and Class B (ADS-B) shares.

The ADS representing Class A and Class B PRISA shares were listed on the New York Stock Exchange (NYSE) until: i) the mandatory conversion of the ADS-B shares in July 2014 and ii) the delisting of the ADS-A shares (requested by the Company) in September 2014.

PRISA has continued the ADS program in the European Union via the non-organized OTC market on which the ADS shares may be traded.

The Company’s share capital is currently represented by ordinary shares, all of the same class and series, and the reference to Class A shares has disappeared.

Each PRISA ADS gives the right to one ordinary PRISA share. The owners of the ADS have had the right to ask the depositary institution holding the aforementioned ADS (Citibank NA) for the direct delivery of the corresponding shares and their consequent trading on the Spanish stock exchanges.

ii) “PRISA Warrants 2013”: In the context of the refinancing of the Company’s bank debt, that has been signed with all the banks and certain institutional investors representing the entirety of PRISA’s financial debt, the Extraordinary Shareholders Meeting of PRISA held on December 10, 2013, agreed and issuance of warrants (the “PRISA Warrants 2013 ”which give the right to subscribe for new Class A ordinary shares of the Company. Likewise at the same Meeting there was approved the Company’s capital increase in the amount necessary for the rights under the “PRISA Warrants 2013 ”to be exercised, exclusively by way of the set-off of receivables, consequently, without pre-emption rights, delegating to the board of directors the power to execute the share issue agreed upon on one or more occasions as rights over the shares are exercised.

iii) Convertible Bonds: On April 1, 2016 the Shareholders’ General Meeting of Prisa approved a bonds issuance, mandatorily convertible into new issue ordinary shares of Prisa, through the conversion of financial debt of the Company. The issuance has been exclusively aimed to certain financial creditors of the Company that have subscribed a total of 10,074,209 bonds through the capitalization of some credits that amount a total of EUR 100,742 thousand. The issue of the bonds has been subscribed in April and it is divided in two tranches:

- Tranche A: amounting to EUR 32,112 thousand subscribed by HSBC, Caixabank and several companies of Grupo Santander through the exchange of the total subordinated debt arising from capitalized interest associated with the bond issuance made in 2012.
- Tranche B: amounting to EUR 68,630 thousand subscribed by HSBC of part of the profit participative loans.

The maturity date of the bonds is April 7, 2018, without prejudice to the right of early conversion in certain circumstances as described in the resolution approving the issuance. The bonds have a unit conversion price of 10 euros per share (which will be adjusted in certain circumstances as provided in the resolution approving the issuance) and will accrue an annual coupon payable in new shares of the company at the conversion date.

B. SHAREHOLDERS MEETING

B.1 Concerning the quorum required at Shareholders Meetings, indicate whether there are differences with respect to the minimum stipulated in the Corporations Law (LSC), and if so, explain.

NO

B.2 Concerning rules for adopting corporate resolutions, explain whether there are differences with respect to those provided in the Corporations Law (LSC) and, if so, explain:

NO

Describe how it differs from the regime provided for in the LSC.

B.3 State the rules applicable to amendment of the bylaws. In particular, information must be provided on the majorities established for amendment of the bylaws and, if

appropriate, the rules established to safeguard the rights of shareholders when the bylaws are amended.

The amendment of the Bylaws is a matter for the General Shareholders Meeting and shall be carried out in accordance with the provisions contained in the Capital Companies Act and the Bylaws, whose article 17 provides that for approval of Articles amendments and unless the law otherwise provides, the favorable vote of the absolute majority of the voting shares present in person or by proxy at the General Shareholders Meeting will be required if the capital present in person or by proxy is more than fifty percent (50%), or the favorable vote of two thirds of the capital present in person or by proxy at the Meeting when, on second call, shareholders are present that represent twenty-five percent (25%) or more of the subscribed voting capital without reaching fifty percent (50%).

The Corporate Governance Committee shall report on proposals for amending the Bylaws. Furthermore, in accordance with the provisions of the Capital Companies Act, the Board shall prepare a report justifying the proposed bylaw amendment to be published on the website of the Company from the date of publication of the notice of the General Shareholders Meeting.

B.4. Provide attendance statistics for the general shareholders ' meetings held during the year to which the present report refers and during the previous year:

Date of Shareholders ' Meeting	Attendance Statistics				Total
	% physically present	% represented by proxy	% distance voting		
			Vote by electronic means	Others	
20 April 2015	23.35%	29.60%	0.00%	0.00%	52.95%
1 April 2016	13.52%	58.93%	0.00%	0.00%	72.45%

B.5 Indicate whether there are any restrictions in the company bylaws with respect to the minimum number of shares required to attend the Annual Shareholders Meeting:

YES

Number of shares required to attend the Annual Shareholders Meeting	60
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B.6 Section repealed

B.7 State the address and manner of accessing the company's website to view corporate governance content and other information on the shareholders' meetings which must be made available to shareholders through the company's website.

In accordance with the provisions of Article 35 of the Bylaws, the Company maintains a website for the information of shareholders and investors whose URL is <http://www.prisa.com>.

Within this website there is a section entitled "Shareholders and Investors", within which is posted all information PRISA must make available to its shareholders.

The section "Shareholders and Investors" is organized into the following sections: I. GENERAL INFORMATION: i) Communication channels, ii) Shares and Share Capital, iii) Major Shareholders and Treasury Stock, iv) Shareholder agreements Pactos parasociales, v) Dividends, vi) Investor Calendar and vii) Prospectus; II. CORPORATE GOVERNANCE: i) Bylaws, Regulations And Other Internal Rules, ii) Board of Directors and Board Committees, iii) Honorary Presidency, iv) Management Team, v) Remuneration of Board members and vi) Corporate Governance Report; III. FINANCIAL INFORMATION: i) Periodic Public Information (IPP), ii) Audited Financial Statements and Management Report iii) Average payment period to suppliers IV. GENERAL SHAREHOLDERS' MEETING : i) Annual General Meeting Regulations , ii) Exercising the Right to Information , iii) Distance and proxy voting , iv) AGM 2016; v) AGM 2015, and vi) Shareholders meetings preceding to 2015 and V) RELEVANT EVENTS;

C. COMPANY MANAGEMENT STRUCTURE

C.1. Board of Directors

C.1.1. Indicate the maximum and minimum number of directors provided for in the Bylaws:

Maximum Number of Directors	17
Minimum Number of Directors	3

C.1.2. Complete the following table providing information concerning Board Members:

Director's Name	Category	Position on the Board	Date of First Appointment	Date of Last Appointment	How Elected
JUAN LUIS CEBRIÁN ECHARRI	EXECUTIVE	CHAIRMAN-CEO	15 June 1983	01 April 2016	APPOINTED AT THE ANNUAL SHAREHOLDERS ' MEETING
MANUEL POLANCO MORENO	EXECUTIVE	DEPUTY CHAIRMAN	19 April 2001	01 April 2016	APPOINTED AT THE ANNUAL SHAREHOLDERS ' MEETING
JOSE LUIS SAINZ DIAZ	EXECUTIVE	CEO	22 July 2014	20 April 2015	APPOINTED AT THE ANNUAL SHAREHOLDERS' MEETING
ROBERTO ALCANTARA ROJAS	PROPRIETARY	DIRECTOR	24 February 2014	28 April 2014	APPOINTED AT THE ANNUAL SHAREHOLDERS ' MEETING
JOSE LUIS LEAL MALDONADO	INDEPENDENT	DIRECTOR	24 October 2012	22 June 2013	APPOINTED AT THE ANNUAL SHAREHOLDERS ' MEETING
GREGORIO MARAÑÓN BERTRÁN DE LIS	OTHER EXTERNAL	DIRECTOR	15 June 1983	01 April 2016	APPOINTED AT THE ANNUAL SHAREHOLDERS ' MEETING

ALAIN MINC	INDEPENDENT	DIRECTOR	27 November 2010	01 April 2016	APPOINTED AT THE ANNUAL SHAREHOLDERS ' MEETING
JOHN PATON	INDEPENDENT	DIRECTOR	24 February 2014	28 April 2014	APPOINTED AT THE ANNUAL SHAREHOLDERS ' MEETING
ERNESTO ZEDILLO PONCE DE LEON	INDEPENDENT	DIRECTOR	27 November 2010	01 April 2016	APPOINTED AT THE ANNUAL SHAREHOLDERS ' MEETING
JOSEPH OUGHOURLIAN	PROPRIETARY	DIRECTOR	18 December 2015	01 April 2016	APPOINTED AT THE ANNUAL SHAREHOLDERS ' MEETING
KHALID BIN THANI BIN ABDULLAH AL THANI	PROPRIETARY	DIRECTOR	18 December 2015	01 April 2016	APPOINTED AT THE ANNUAL SHAREHOLDERS ' MEETING
BLANCA HERNANDEZ RODRIGUEZ	INDEPENDENT	DIRECTOR	01 April 2016	01 April 2016	APPOINTED AT THE ANNUAL SHAREHOLDERS ' MEETING
MARIA ELENA PISONERO RUIZ	INDEPENDENT	DIRECTOR	01 April 2016	01 April 2016	APPOINTED AT THE ANNUAL SHAREHOLDERS ' MEETING
ALFONSO RUIZ DE ASSIN CHICO DE GUZMAN	INDEPENDENT	DIRECTOR	01 April 2016	01 April 2016	APPOINTED AT THE ANNUAL SHAREHOLDERS ' MEETING
GLEN RICHARD MORENO	INDEPENDENT	DIRECTOR	01 April 2016	01 April 2016	APPOINTED AT THE ANNUAL SHAREHOLDERS ' MEETING
DOMINIQUE D'HINNIN	INDEPENDENT	DIRECTOR	06 May 2016	06 May 2016	COOPTATION
WAALED AHMAD IBRAHIM ALSA'DI	PROPRIETARY	DIRECTOR	06 May 2016	06 May 2016	COOPTATION

Total Number of Board Members	17
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Indicate any Members retiring from the Board of Directors during the financial year

Board Member	Board member status upon retirement	Retirement Date
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ARIANNA HUFFINGTON	INDEPENDENT	26 February 2016
CLAUDIO BOADA PALLERES	OTHER EXTERNAL	01 April 2016
BORJA JESÚS PÉREZ ARAUNA	PROPRIETARY	01 April 2016
AGNES NOGUERA BOREL	PROPRIETARY	01 April 2016

C.1.3 Complete the following tables concerning the Members of the Board and their functions:

EXECUTIVE DIRECTORS

Director's Name	Post or Functions
MR. JUAN LUIS CEBRIÁN ECHARRI	CHAIRMAN OF THE BOARD OF DIRECTORS AND OF THE DELEGATED COMMITTEE
MR. MANUEL POLANCO MORENO	DEPUTY CHAIRMAN AND CHAIRMAN OF PRISA AUDIOVISUAL
MR. JOSE LUIS SAINZ DIAZ	CEO

Total Number of Executive Directors	3
% of the Board	17.65%

EXTERNAL DIRECTORS REPRESENTING SIGNIFICANT SHAREHOLDINGS

Director's Name	Name of Significant Shareholder Who He/She Represents or Who Proposed His/Her Appointment
MR. ROBERTO LAZARO ALCANTARA ROJAS	CONSORCIO TRANSPORTISTA OCCHER, S.A. DE C.V
MR JOSEPH OUGHOURLIAN	AMBER ACTIVE INVESTORS LIMITED
MR KHALID BIN THANI BIN ABDULLAH AL THANI	INTERNATIONAL MEDIA GROUP, S.Á.R.L.
MR. WAALED AHMAD IBRAHIM ALSA'DI	INTERNATIONAL MEDIA GROUP, S.Á.R.L.

Total number of external directors representing significant shareholdings	4
% of the Board	23.53%

INDEPENDENT EXTERNAL DIRECTORS

Director's Name	Profession
MR. ALAIN MINC	ENGINEER, POLITICAL AND ECONOMIC ADVISER. PROFESSOR
MR. ERNESTO ZEDILLO PONCE DE LEON	ECONOMIST. EX PRESIDENT OF MEXICO
MR JOSE LUIS LEAL MALDONADO	ECONOMIST. EX ECONOMY MINISTER AND EX PRESIDENT OF THE SPANISH BANKING ASSOCIATION
MR JOHN PATON	JOURNALIST AND BUSSINES MAN.
MRS. BLANCA HERNANDEZ RODRIGUEZ	ECONOMIST. MASTER IN FINANCE

MRS. MARIA ELENA PISONERO RUIZ	ECONOMIST
MR. ALFONSO RUIZ DE ASSIN CHICO DE GUZMAN	LAWYER
MR. GLEN RICHARD MORENO	FINANCIAL ADVISOR AND DOCTOR IN LAW
MR. DOMINIQUE D'HINNIN	FINNACIAL ADVISOR

Total number of independent external directors	9
% of the Board	52.94%

State whether any director classed as independent receives from the company, or from its group, any amounts or benefits in respect of an item other than director remuneration, or maintains or has maintained, during the previous year, a business relationship with the company or with any company in its group, either in his own name or as a significant shareholder, director or senior manager of an entity that maintains or has maintained such a relationship.

If appropriate, include a statement from the Board explaining the reasons why it considers that the director in question is able to discharge his functions in his capacity as independent director.

OTHER EXTERNAL DIRECTORS

List the other external directors and the reasons why they cannot be considered proprietary or independent and detail their relationships with the company, its executives or shareholders:

Director's Name	Reasons	Company, executive or shareholder with whom maintains the relationship
MR. GREGORIO MARAÑÓN Y BERTRÁN DE LIS	Mr. Gregorio Marañón has been Director of PRISA for more than 12 years.	PROMOTORA DE INFORMACIONES, S.A.

Total number of other external directors	1
% of the Board	5.88%

If applicable, indicate any changes that have occurred during the year in each director's status:

Director's Name	Date	Previous status	Current status
MR. GREGORIO MARAÑÓN Y BERTRÁN DE LIS	01 April 2016	INDEPENDENT	OTHER EXTERNAL

C.1.4. Complete the following table with information on the number of female directors during the previous four years, as well as the type of directorship held:

	Number of female directors				Percentage of the total number of directors in each category			
	Year 2016	Year 2015	Year 2014	Year 2013	Year 2016	Year 2015	Year 2014	Year 2013
Executive	0	0	0	0	0.00	0.00	0.00	0.00
Proprietary	0	1	1	1	0.00	20.00	33.33	33.33
Independent	2	1	1	1	22.22	16.66	12.50	12.50
Other External	0	0	0	0	0.00	0.00	0.00	0.00
Total:	2	2	2	2	11.76	13.33	12.50	14.28

C.1.5 Explain the measures that, as the case may be, have been taken to seek to include on the Board of Directors a number of women which enables there to be a balanced presence of both men and women.

Explanation of measures
<p>As per recommendation 14 of the CNMV Good Governance Code, in December 2015 the Company set as objective for the composition of the Board of Directors that female directors account for 30% of the total in 2020, and also set a series of principles and guidelines to improve the gender balance on the management bodies of PRISA.</p> <p>The Company also has a “Director Selection Policy” that ensures that director appointment or re-election proposals are based on a prior analysis of the Board of Directors' needs and whose objectives are summarized in the following: i) principle of diversity in the composition of the Board of Directors; ii) purpose of achieving an adequate balance in the Board of Directors as a whole, looking for persons whose appointment would foster diversity of knowledge, experience, origin and gender and iii) objective that for the year 2020 the number of female directors represents at least 30% of the total members of the Board of Directors.</p> <p>Specifically in 2016 two women have joined the Board (Ms. Elena Pisonero and Ms. Blanca Fernandez), but during the same period two other female directors (Ms Agnes Noguera Borel and Mrs. Arianna Huffington) have left office.</p>

C.1.6. Explain the measures that, as the case may be, have been taken by the Appointments Committee to ensure that there is no implicit bias in selection procedures which could obstruct the selection of female directors, and so that the company actively looks for and includes women who meet the required professional profile in the potential candidates:

Explanation of measures
<p>The Board of Directors Regulation provides that “<i>the Board of Directors will ensure that the procedures for selection of its members favour diversity of gender, experience and knowledge and do not suffer from implicit bias that could imply any discrimination</i>”.</p> <p>In addition, as already stated in section C.1.5 above, the Company has a “Director Selection Policy”, the objectives of which include favouring gender diversity on the Board. Likewise, in December 2015 the</p>

Nominations and Compensation Committee set a target for representation of the gender less represented on the Board of Directors and drew up guidelines on how to achieve this objective.

Notwithstanding the above, the selection process of the Company is mainly based on the suitability and prestige of the candidates.

At the Ordinary General Meeting held on 1 April 2016, shareholders voted to restructure the Board of Directors according to the Company's needs and circumstances. The aim of achieving an appropriate balance in the Board of Directors shaped the process for searching for candidates that are highly qualified, have personal and professional integrity, to enhance the diversity of knowledge, experiences, background and gender of the Board.

As already stated in previous section in 2016 the Company has appointed two new female directors.

If, despite the measures that may, as the case may be, have been taken there are few female directors, or none at all, explain the reasons for this situation:

Explanation of reasons

As already stated in previous sections, in 2016 two women have joined the Board although two other female directors have left office. At year-end, 11.76% of the Board of Directors of the Company was formed by women that represent 22.22% of the independent directors.

C.1.6 bis Explain the findings of the Nominations and Compensation Committee on the verification of compliance with the selection Policy. And in particular, how the policy is promoting the goal that by 2020 women Directors represent at least 30% of the total members of the board.

Explanation of conclusions:

In compliance with recommendation 14 of the Code of Good Governance of the National Securities Market Commission (CNMV), the Nominations and Compensation Committee has verified that, during 2016, the principles, objectives and procedures established in the Directors Selection Policy have been taken into account in relation to proposals for ratification, re-election and / or appointment of directors, concluding that:

- The needs of the Board of Directors were previously analyzed, taking account of the number of executive directors it has, the shareholding structure the diversity of the activities of its business group,
- The purpose of achieving an appropriate balance on the Board of Directors as a whole had guided the process for selection and re-election of directors, having searched for highly qualified candidates with personal and professional integrity, to boost diversity of knowledge, experience, background and gender on the Board of Directors, also meeting the necessary conditions of capacity and compatibility.
- It was considered the fit of the professional profiles of the candidates with the particularities of the business engaged in by the Company and its group and the sectors in which it operates and its international character. In this regard, the professional profile of the candidates demonstrated their professional competence, their merits to occupy positions as directors, their extensive experience in sectors relevant to the Company and the group and their profound knowledge of multiple fields of business,

Lastly, in relation to the objective that in 2020 the number of female directors should represent at least 30% of the total number of Board members, the Committee has verified that female candidates have been taken into account in the selection processes, no discrimination has taken place and meritocracy has been the main selection criterion in pursuit of the company interest.

C.1.7. Explain how shareholders with significant holdings are represented on the Board.

As already indicated in section C.1.3 of this Report, the Company has four directors representing significant shareholders of the Company: Mr Joseph Oughourlian, Mr Roberto Lázaro Alcántara Rojas, Mr Khalid Bin Thani Bin Abdullah Al Thani and Mr Waaled Ahmad Ibrahim Alsa'di.

Mr Joseph Oughourlian represents Amber Active Investors Limited. Mr Oughourlian has an indirect interest of 19.29% of the share capital of PRISA, through Amber Active Investors Limited and other companies.

Mr Roberto Lázaro Alcántara Rojas represents Consorcio Transportista Occher, S.A. de CV, that has a direct interest of 8.04% in the share capital of PRISA and that is linked to Rucandio through the shareholders agreement dated April 24, 2014 which is described in Section A.6 of this Report.

Mr Khalid Bin Thani Bin Abdullah Al Thani and Mr Waaled Ahmad Ibrahim Alsa'di represent International Media Group, S.à.r.l. that has a direct interest of 8.17% in the share capital of PRISA.

Finally it is noted that Mr Manuel Polanco Moreno is a Director representing significant shareholders at the instance of Timon, SA and also is executive director.

C.1.8. Explain, if applicable, why directors representing significant shareholdings have been appointed at the request of shareholders whose stake is less than 3% of share capital:

Indicate whether formal requests for representation on the board have been denied shareholders whose stake is equal or higher than others whose requests to appoint a director to represent a significant shareholding was granted. If so, explain why such requests were denied:

NO

C.1.9. Indicate whether any board member has left his post before the end of his mandate, whether he explained his reasons to the board and by what means, and if expressed in writing to the entire board, provide the reasons given:

Board Member's Name	Reasons
ARIANNA HUFFINGTON	Her professional commitments prevent him from exercising office with proper dedication.

C.1.10. If applicable, indicate the powers delegated to members of the Board of Directors:

Board Member's Name	Brief Description
MR JUAN LUIS CEBRIÁN ECHARRI	HE HAS BEEN DELEGATED ALL POWERS OF THE BOARD OF DIRECTORS EXCEPT THOSE THAT CANNOT BE DELEGATED BY LAW
MR JOSE LUIS SAINZ DIAZ	HE HAS BEEN DELEGATED ALL POWERS OF THE BOARD OF DIRECTORS EXCEPT THOSE THAT CANNOT BE DELEGATED BY LAW

C.1.11. If applicable, identifies board members who hold posts as directors or officers in subsidiary companies within the listed company's group:

Director's Name	Name of the Group Company	Position	Does he/she has executive functions?
JUAN LUIS CEBRIAN ECHARRI	DIARIO EL PAIS, S.L.	CHAIRMAN	NO
JUAN LUIS CEBRIAN ECHARRI	EDICIONES EL PAIS	CHAIRMAN	NO
JUAN LUIS CEBRIAN ECHARRI	PRISA INC	CHAIRMAN AND CHIEF EXECUTIVE OFFICER	NO
JUAN LUIS CEBRIAN ECHARRI	PROMOTORA DE ACTIVIDADES AMERICA 2010 MEXICO, S.A. DE CV.	CHAIRMAN AND CHIEF EXECUTIVE OFFICER	NO
MANUEL POLANCO MORENO	PRISA AUDIOVISUAL, S.L.	CHAIRMAN	YES
MANUEL POLANCO MORENO	GRUPO MEDIA CAPITAL, SGPS, S.A.	DIRECTOR	NO
MANUEL POLANCO MORENO	MCP MEDIA CAPITAL PRODUCOES, S.A	CHAIRMAN	NO
MANUEL POLANCO MORENO	MEDIA CAPITAL PRODUCOES INVESTIMENTOS SGPS, S.A.	CHAIRMAN	NO
MANUEL POLANCO MORENO	PLURAL ENTERTAINMENT CANARIAS, S.L.U	SOLE DIRECTOR	YES
MANUEL POLANCO MORENO	PLURAL ENTERTAINMENT ESPAÑA, S.L.U	JOINT AND SEVERAL DIRECTOR	YES
MANUEL POLANCO MORENO	PLURAL ENTERTAINMENT PORTUGAL, S.A	CHAIRMAN	NO
MANUEL POLANCO MORENO	PRODUCTORA CANARIA DE PROGRAMAS, S.L.	DIRECTOR	NO
MANUEL POLANCO MORENO	SOCIEDAD CANARIA DE TELEVISION REGIONAL, S.A.	JOINT AND SEVERAL CEO	YES
MANUEL POLANCO MORENO	TESELA PRODUCCIONES CINEMATOGRAFICAS, S.L.	JOINT AND SEVERAL DIRECTOR	YES
MANUEL POLANCO MORENO	TVI - TELEVISÃO INDEPENDENTE, SA	CHAIRMAN	NO
MANUEL POLANCO MORENO	VERTIX, SGPS, S.A.	CHAIRMAN	NO

JOHN PATON	DIARIO EL PAIS, S.L.	DIRECTOR	NO
JOHN PATON	EDICIONES EL PAIS, S.L.	DIRECTOR	NO
JOSE LUIS SAINZ DIAZ	DIARIO EL PAIS, S.L.	DIRECTOR	NO
JOSE LUIS SAINZ DIAZ	EDICIONES EL PAIS, S.L.	DIRECTOR	NO
JOSE LUIS SAINZ DIAZ	DIARIO AS, S.L.	DIRECTOR	NO
JOSE LUIS SAINZ DIAZ	GRUPO MEDIA CAPITAL, SGPS, S.A.	DIRECTOR	NO

C.1.12. If applicable, indicate the directors of your company who are members of the boards of directors of other companies listed on official Spanish securities markets, other than companies in your own group, which have been reported to the company:

Director's Name	Name of Listed Company	Position
MANUEL POLANCO MORENO	GRUPO MEDIA CAPITAL, SGPS, S.A.	DIRECTOR
JOSE LUIS SAINZ DIAZ	GRUPO MEDIA CAPITAL, SGPS, S.A.	DIRECTOR
ALAIN MINC	CAIXABANK, S.A.	DIRECTOR
GREGORIO MARAÑÓN Y BERTRÁN DE LIS	COMPAÑÍA DE DISTRIBUCION INTEGRAL LOGISTA HOLDINGS, S.A.	CHAIRMAN
KHALID BIN THANI BIN ABDULLAH AL THANI	EZDAN HOLDING GROUP	CHAIRMAN
KHALID BIN THANI BIN ABDULLAH AL THANI	QUATAR INTERNATIONAL ISLAMIC BANK	CHAIRMAN
KHALID BIN THANI BIN ABDULLAH AL THANI	MEDICARE GROUP	DIRECTOR
WAALED AHMAD IBRAHIM ALSA'DI	EZDAN HOLDING COMPANY	DIRECTOR
WAALED AHMAD IBRAHIM ALSA'DI	QUATAR GENERAL INSURANCE AND REINSURANCE COMPANY	DIRECTOR
WAALED AHMAD IBRAHIM ALSA'DI	MEDICARE GROUP	DIRECTOR
WAALED AHMAD IBRAHIM ALSA'DI	JORDANIAN EXPATRIATES INVESTMENT HOLDING	DIRECTOR
ERNESTO ZEDILLO PONCE DE LEON	PROCTER AND GAMBLE	DIRECTOR
ERNESTO ZEDILLO PONCE DE LEON	ALCOA	DIRECTOR
ERNESTO ZEDILLO PONCE DE LEON	CITIGROUP	DIRECTOR
MARIA ELENA PISONERO RUIZ	CATENON	DIRECTOR
GLEN RICHARD MORENO	VIRGIN MONEY PLC	CHAIRMAN
DOMINIQUE D'HINNIN	EUTELSAT	DIRECTOR

C.1.13. Indicate, and if applicable explain, whether the company has established rules regarding the number of boards on which its directors may sit:

YES

Article 10 of the Board Regulations provides that:

1. The executive Directors of the Company may not serve as directors of more than four (4) companies other than the Company and its Group, the shares of which are admitted to trading on domestic or foreign stock exchanges. They also may not assume executive functions of any kind within such companies.
2. The non-executive Directors of the Company may not serve as directors of more than four (4) companies other than the Company and its Group, the shares of which are admitted to trading on domestic or foreign stock exchanges.
3. For purposes of the rules established in 1 and 2 above:
 - a) All of the administration bodies of companies that are a part of the same group, as well as those of which a Director is a member in the capacity of a proprietary Director proposed by any company in that group, will be considered to be a single administration body, even if the equity interest in or the degree of control over the company does not allow it to be considered to be a member of the group; and
 - b) The administration bodies of family-held holding companies or companies that serve as vehicles for the exercise of the profession of the Director, the Director's spouse or a person with a comparable relationship, or the Director's closest relatives, are not included.
 - c) By way of exception, for duly justified reasons, the Board of Directors may exempt a Director from this prohibition.

C.1.14. Section repealed

C.1.15. State the overall remuneration of the Board of Directors:

Remuneration of the Board of Directors (thousands of €)	5,753
Amount of total pension rights accumulated by current directors (thousands of euros)	0
Amount of total pension rights accumulated by former directors (thousands of euros)	0

C.1.16. Identify members of senior management who are not executive directors and indicate the total remunerations paid in their favor during the financial year:

Name	Position
MIGUEL ANGEL CAYUELA SEBASTIAN	CHIEF EXECUTIVE OFFICER OF GRUPO SANTILLANA
ANTONIO GARCIA-MON MARAÑES	SECRETARY GENERAL
FERNANDO MARTINEZ ALBACETE	CFO

BARBARA MANRIQUE DE LARA	CORPORATE COMMUNICATIONS, MARKETING & EXTERNAL RELATIONS DIRECTOR
VIRGINIA FERNANDEZ IRIBARNEGARAY	INTERNAL AUDIT DIRECTOR
ANDRES CARDÓ SORIA	CEO PRISA RADIO
ROSA CULLEL	CEO MEDIA CAPITAL.
MANUEL MIRAT SANTIAGO	CEO PRISA NOTICIAS
IGNACIO SOTO PÉREZ	CHIEF REVENUE OFFICER
NOELIA HERNANDEZ ARROYO	MANAGING DIRECTOR AND BUSINESS DEVELOPMENT AND DIGITAL TRANSFORMATION

Total Senior Management Salaries (in Euros 000)	5,155
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C.1.17. If applicable, identify the members of the Board of Directors who are likewise members of the boards of directors of significant shareholder's companies and/or in companies within its group:

Director's Name	Significant Shareholder's Corporate Name	Position
MANUEL POLANCO MORENO	RUCANDIO, S.A.	CEO
MANUEL POLANCO MORENO	TIMÓN, S.A.	DEPUTY CHAIRMAN
DON MANUEL POLANCO MORENO	RUCANDIO INVERSIONES SICAV	DIRECTOR
ROBERTO LAZARO ALCANTARA ROJAS	CONSORCIO TRANSPORTISTA OCCHER, S.A. DE CV	CHAIRMAN
ROBERTO LAZARO ALCANTARA ROJAS	GHO NETWORKS, S.A. DE CV	CHAIRMAN
ALAIN MINC	CAIXABANK, S.A.	DIRECTOR

If applicable, indicate the relevant relationships (other than those listed in the previous table) existing between members of the Board of Directors and significant shareholders and/or companies in the group:

Director's Name	Significant Shareholder's Name	Description of the Relationship
MANUEL POLANCO MORENO	RUCANDIO, S.A.	THE DIRECTOR OWNS 13.55% OUTRIGHT AND IS THE NAKED OWNER OF 11.45% OF THE SHARE CAPITAL OF RUCANDIO, S.A.
MANUEL POLANCO MORENO	RUCANDIO INVERSIONES SICAV, S.A.	THE DIRECTOR HAS DIRECT (14.49%) AND INDIRECT (2.70%) HOLDINGS IN THE SHARE CAPITAL OF RUCANDIO INVERSIONES SICAV, S.A.
ROBERTO LAZARO ALCANTARA ROJAS	GHO NETWORKS, S.A. DE CV	THE DIRECTOR HAS DIRECT HOLDINGS (18.1815%) IN THE SHARE

		CAPITAL OF GHO NETWORKS, S.A. DE CV
JOSEPH OUGHOURLIAN	AMBER CAPITAL UK LLP	<p>JOSEPH OUGHOURLIAN IS THE MAYORITY PARTNER OF AMBER CAPITAL MANAGEMENT LP, WHICH OWNS AMBER CAPITAL UK HOLDINGS LIMITED, WHICH OWNS AMBER CAPITAL UK LLP.</p> <p>JOSEPH OUGHOURLIAN HAS A DIRECT SHAREHOLDING (1%) IN AMBER CAPITAL UK LLP.</p> <p>AMBER CAPITAL UK LLP ACTS AS INVESTMENT MANAGER OF AMBER ACTIVE INVESTORS LIMITED, AMBER GLOBAL OPPORTUNITIES LIMITED AND AMBER SELECT OPPORTUNITIES LIMITED.</p>
KHALID BIN THANI BIN ABDULLAH AL THANI	INTERNATIONAL MEDIA GROUP, S.A.R.L	INTERNATIONAL MEDIA GROUP, S.A.R.L IS OWNED 100% BY INTERNATIONAL MEDIA GROUP LIMITED WHICH, IN TURN, IS OWNED 100% BY KHALID BIN THANI BIN ABDULLAH AL THANI.
GLEN RICHARD MORENO	HSBC HOLDINGS PLC	GLEN MORENO IS SENIOR ADVISOR TO HSBC

C.1.18. Indicate if the Board Regulation has been amended during the year.

NO

C.1.19. Indicate the procedures for the selection, appointment, reelection, evaluation and removal of directors. Describe the bodies empowered to do so, the steps to be taken and the criteria to be applied in each of those procedures.

Procedures for the selection, appointment, reelection, evaluation and removal of directors are regulated by the Bylaws and the Board Regulations.

Furthermore, the Company has a “Director Selection Policy”, that is concrete and verifiable, ensures that director appointment or re-election proposals are based on a prior analysis of the Board of Directors' needs and, at the same time, favours diversity of knowledge, experience and gender composition.

Noteworthy amongst the objectives of that policy are: i) that the principle of diversity in the composition of the Board of Directors should prevail in its broadest sense; ii) the director selection or re-election process will be guided by the goal of achieving an appropriate balance in the Board of Directors as a whole and, toward that end, qualified persons will be sought with personal and professional good repute and whose appointment favours diversity of knowledge, experience, background and gender on the Board of Directors and, furthermore, iii) by 2020 the number of female directors will account for at least 30% of the total members of the Board of Directors.

According to Article 19 of the Company Bylaws, the Board shall have a minimum of three and a maximum of seventeen members, who shall be appointed by and whose number shall be determined at the Shareholders ’

Meeting. In that regard, the shareholders may expressly determine the number at a Meeting, or may do so indirectly by choosing to fill or not to fill vacancies or to appoint or not to appoint new Directors within the aforementioned minimum and maximum number of members.

The Board of Directors shall appoint a Chairman from among its members and may likewise appoint one or several deputy chairmen. It may also appoint a Delegated Committee from one of its members, or one or several Chief Executive Officers, to whom the Board may grant joint or joint and several powers to represent the Company. The Board shall also appoint a secretary, who need not be a board member, and may appoint a deputy secretary, who likewise need not be a board member.

If the Chairman is an executive Director, the Board of Directors, with the abstention of the executive Directors and on proposal of the Corporate Governance Committee, must appoint a Coordinating Director from among the independent Directors, who will be specifically empowered to request a call of the Board of Directors or inclusion of new points on the agenda for a Meeting already called; coordinate and meet with the non-executive Directors and if applicable, to lead the periodic evaluation of the Chairman of the Board of Directors.

Article 20 of the Bylaws also provides that The Board of Directors will be so comprised that proprietary and independent Directors represent a majority over executive Directors.

Chapter VI of the Board Regulations provides for the following procedures for appointing, reelection and removing Directors:

- Appointment of Directors: Directors shall be appointed by the participants at the Shareholders' Meeting or, provisionally, by the Board of Directors in accordance with the provisions of the Companies Law and the Company Bylaws.

The proposals for appointment of Directors that the Board of Directors submits for consideration of the General Meeting and the appointment resolutions adopted by the Board using the co-optation authority legally attributed to it, must comply with the provisions of this Regulation and be preceded by the corresponding proposal, in the case of independent Directors, or report, for other Directors, of the Appointment and Remuneration Committee. Proposals for appointment of independent Directors in any event must be preceded by a report of the Corporate Governance Committee.

Proposals for appointment of Directors in any event must attach an explanatory report of the Board of Directors that evaluates the competence, experience and merits of the proposed candidate, which will be attached to the minutes of the General Meeting or of the Board.

In this regard, the Board of Directors and the Appointment and Remuneration Committee will endeavour, within the scope of their respective powers, to ensure that the chosen candidates are people of proven competence and experience.

- Re-appointment of Directors: Proposals for re-election of Directors that the Board of Directors decides to submit to the General Meeting must be subjected to a formal process of preparation, requiring the following: i) in the case of independent Directors, a proposal from the Appointment and Remuneration Committee, after a report from the Corporate Governance Committee; and ii) in the case of other Directors, a report from the Appointment and Remuneration Committee.

The reports of the Committees will evaluate the performance and dedication of the proposed Directors to their positions during their prior terms.

- Tenure of Service: Directors shall be appointed for a term of four (4) years, and may be re-appointed. Directors appointed by co-optation may be ratified in office by resolution of the first shareholders meeting following his appointment. If there is a vacancy after the General Meeting is called and before it is held, the Board of Directors may appoint a Director until the holding of the following General Meeting.

- Termination of Tenure: Directors shall leave their posts when the period for which they were appointed has expired, or when so decided by shareholders at a shareholders meeting in the exercise of the powers that are conferred upon them by statute or in the bylaws. Directors shall offer their resignations to the Board of

Directors and, if deemed appropriate, formally resign in cases provided in article 24 of the Board of Directors Regulation, which are described in section C.1.21 below.

The Board of Directors shall not propose the removal of any independent director before completing the term of office set forth in the bylaws for which he was appointed, unless the Board deems that there is just cause for doing so and after seeking the opinion of the Appointment and Remuneration Committee. In that regard, just cause shall be deemed to exist when the director has failed to fulfill the duties inherent in his post.

Committee members shall leave their posts when they cease to be directors.

- Voting Objectivity and Secrecy: All votes of the Board of Directors regarding the appointment, re-election and removal of Directors will be secret if so requested by any of its members, without prejudice to the right of any Director to reflect the sense of his vote in the minutes.

-Evaluation: As provided in the Board of Directors Regulation, annual evaluation of the functioning of the Board of Directors, the functioning of its Committees, and proposal, based on the results, of an action plan correcting detected deficiencies, shall be submitted to Board approval with the previous report by the Corporate Governance Committee. The Chairman will organize and coordinate with the chairman of the relevant Committees the regular evaluation of the Board.

C.1.20 Explain to what extent the self-evaluation has produced significant changes to its internal organization and to the procedures applying to its activities:

Description of changes

No significant changes are needed to the internal organization based on the Board's self-evaluation for 2015.

C.1.20 bis. Describe the evaluation process (and the areas evaluated) conducted by the board of directors, assisted, if applicable, by an external facilitator, in relation to diversity in the membership and competences of the board, the performance and membership of its committees, the performance of the chairman of the board of directors and the company's chief executive, and the performance and contribution of each director.

In accordance with Article 29.3.a.vi of the Board of Directors Regulation, the competences of the Corporate Governance Committee include presenting a report to the Board of Directors evaluating the performance of the Board and its Committees, with an action plan to correct the weaknesses detected.

Toward that end the Corporate Governance Committee prepares questionnaires that it distributes to the directors in order for them to evaluate certain aspects of the operation and methodology of the Board and of the Committees on which they sit, and on matters of strategic planning, operational and financial supervision. The Board of Directors does not evaluate the individual performance and contribution of each director, as it believes an overall evaluation of the board as a single body is sufficient.

The Chairman of the Corporate Governance Committee takes the evaluations carried out by the directors and prepares a report with conclusions and with the consequent actions or improvements to be proposed to the Board.

In this process the Company does not engage the assistance of an external facilitator.

C.1.20 ter. Breakdown, where appropriate, business relations that the consultant or any company of its group holds with the company or any company in its group.

As already indicated in section C.1.20 bis above, the Company has not hired any external consultant for the evaluation process of the Board.

C.1.21. Indicate under what circumstances Directors are obliged to resign.

As set forth in Article 24.2 of the Board Regulations, Directors must tender their resignation to the Board of Directors and, if the Board deems it to be appropriate, resign, in any circumstance that might harm the company's name or reputation and particularly in the following cases:

1) When they are subject to any of the circumstances of incompatibility or prohibition or grounds for removal contemplated by law.

2) When a director is indicted or tried for any of the offences stated in company legislation.

Notwithstanding the foregoing, Directors must to inform the board of any criminal charges brought against them and the progress of any subsequent trial.

3) When they are seriously admonished by the Board of Directors for violating their duties as Directors.

4) When the reasons for their appointment cease to exist or, in particular, an independent Director or a proprietary Director no longer qualifies as such.

5) When, in the course of one year, they fail to physically attend more than two (2) meetings of the Board of Directors, of the Delegated Commission or of the other Committees to which they belong, of which one necessarily must be of a Board meeting, without just cause in the judgment of the Board, the Delegated Commission or the other Committee to which they belong.

6) When their remaining on the Board, by reason of lack of suitability, on the terms described in article 38.4 this Regulation, may, directly, indirectly or through persons related thereto, put loyal and diligent exercise of their duties in accordance with the corporate interest at risk.

Article 38.4 of the Board of Director Regulations provides that in those cases in which the conflict of interest is or may reasonably be expected to be of such nature that it constitutes a structural and permanent conflict between the Director (or a person related thereto or, in the case of a proprietary Director, the shareholder or shareholders that proposed or made the appointment or the persons directly or indirectly related thereto) and the Company or the companies in its Group, the Director will be deemed to be or have become unsuitable for exercise of the position for purposes of the provisions of article 24 of this Regulation.

C.1.22. Section repealed

C.1.23. Are reinforced majorities required for taking certain types of decisions, other than those required by law?

NO

C.1.24. Indicate whether the requirements for being elected Chairman differ from those required for election to the Board:

NO

C.1.25. Indicate whether the Chairman may exercise a casting vote:

YES

Matters in which the Chairman has a Casting Vote
Pursuant to Article 29.3 of the Company Bylaws and Article 19.3 of the Board Regulations, the Chairman may exercise a casting vote to break any possible ties that may arise concerning any matter.

C.1.26. Indicate whether the Bylaws of the Board Regulations set an age limit for Directors:

NO

B.1.27. Indicate whether the Bylaws or Board Regulations limit the term of office of independent directors, different from that required by law:

NO

C.1.28 Indicate whether the Bylaws or board regulations stipulate specific rules on appointing a proxy to the board, the procedures thereof and, in particular, the maximum number of proxy appointments a director may hold. Also indicate whether there is any limitation beyond the statutory restrictions on the categories in which a proxy appointment may be made. If so, give brief details.

Article 29 of the Company Bylaws and Article 19 of the Board Regulations provide that if it is impossible for them to attend board meetings, they will appoint another director as proxy. In that regard, proxies must be in writing, specifically for the meeting in question and instructing to the representative about the sense of any vote.

Non-executive directors can only delegate their representation to other non-executive directors.

C.1.29. Indicate how many Board Meetings were held during the year. Also indicate, if appropriate, how often the Board met without the chairman's attendance. Proxies granted with no specific instructions will be treated as attendances.

Number of Board Meetings	8
Number of meetings that the President did not attend	0

If the chairman is an executive director, indicate the number of meetings held without the attendance or representation of an executive director and under the chairmanship of the coordinating director

Number of meetings	3
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Indicate the number of meetings held by the Board's committees:

Committees	Number of Board Meetings
Delegated Committee	3
Audit Committee	7
Compensations and Nominations Committee	5
Corporate Governance Committee	7
Committee for Strategic Digital Change	4

C.1.30. Indicate the number of meetings held by the Board of Directors during the financial year in which all members were in attendance. Proxies in attendance with specific instructions should be counted as attendances:

Number of meetings with all directors attending	5
% of attendances with respect to the total number of votes during the year	97.58

C.1.31. Indicate whether the individual and consolidated annual accounts submitted to the Board for its approval are previously certified:

NO

Identify, if applicable, the person or persons who certified the individual and consolidated annual accounts of the Company, for submission to the Board:

C.1.32. Explain, if they exist, the mechanisms established by the Board of Directors to prevent the annual and consolidated accounts from being submitted at the Shareholders' Meeting with provisos in the Auditor's Report.

According to Article 27 of the Board Regulations and, by reference, Article 529. quaterdecies of the Corporations Law (LSC), the Audit Committee has the following duties in relation to the process of preparing and publishing the Company's financial information:

- i. Supervising the effectiveness of the company's internal control, the internal audit and risk management systems, including tax risks, as well as discussing with the statutory auditor any significant weaknesses detected in the audit in the internal control system.
- ii. Supervising the process of preparing and presenting the prescribed financial information.
- iii. Giving the board of directors prior reports on the periodic financial information the company must publish.

C.1.33. Is the Secretary of the Board of Directors likewise a Director?

NO

If the secretary does not hold a full directorship, complete the following table:

Full individual or corporate name of Secretary	Representative
Antonio García-Mon Marañés	

C.1.34 . Section repealed

C.1.35. Indicate, if applicable, the mechanisms established by the Company to preserve the independence of auditors, financial analysts, investment banks and rating agencies.

Article 27 of the Board Regulation and, by reference, Article 529 quaterdecies of the LSC, provides that the Audit Committee will have the following basic duties in relation to the Company's statutory auditor:

- i. Raising with the board of directors the proposals for selection, appointment, re-election and replacement of the statutory auditor, as well as the contractual terms of its engagement, and obtaining information therefrom on a regular basis regarding the audit plan and its implementation, as well as ensuring independence in the exercise of its duties.
- ii. Establishing the appropriate relationships with the statutory auditors to receive information regarding such questions as may compromise their independence, for review by the committee, and any others related to the process of auditing accounts, and such other communications as may be contemplated in the legislation regarding auditing of accounts and audit standards. In all events, there must be received each year from the statutory auditors the declaration of their independence in relation to the company or to its directly or indirectly related companies, as well as the information on additional services provided of any kind and the fees received from said entities by the statutory auditors or by their related persons or enterprises according to the legislation on accounting auditors.
- iii. Annually, prior to the issue of the audit report, issuing a report stating an opinion regarding the independence of the statutory auditors. Said report must in all events contain an assessment of the provision of the additional services referred to in the preceding subparagraph, considered individually and in aggregate, other than the legal audit and in relation to the rules on independence or to the audit regulations.

Likewise, article 43 of the Board Regulations stipulates that:

- 1. The Board of Directors shall refrain from proposing the appointment or renewal of a firm of auditors when the fees paid by the Company for all of its services represent more than 5% of the annual income of that auditing firm, based on the average for the last five years.
- 2. The Board of Directors shall publicize the total fees that the Company has paid to the auditors, differentiating between fees for auditing company accounts and those paid for other services rendered. The Annual Report of company accounts must likewise include a breakdown of the fees paid to auditors, as well as those paid to any company belonging to the firm of auditor's corporate group or to any company sharing common property, management or control with the Company's auditors.

C.1.36 Indicate whether during the financial year the company has changed external auditors. If so, specify the former and present auditors:

NO

In the event there were discrepancies with the former auditor, explain the nature of those discrepancies:

C.1.37. Indicate whether the auditing firm renders other non-auditing services to the Company and/or its corporate group and, if so, state the amount of fees paid for those services and the percent that this represents of the total fees invoiced to the Company and/or its group.

YES

	Company	Group	Total
Amount paid for non-auditing services (Euros 000)	753	688	1,441
Amount paid for non-auditing services / Total amount invoiced by the auditing firm (%)	80.7%	31.3%	46.1%

C.1.38. Indicate whether the report on the audit of the annual accounts for the previous year contained any reservations or qualifications. If so, indicate the reasons provided by the chairman of the Audit Committee to explain the content and scope of those reservations or qualifications.

NO

C.1.39. Indicate the number of consecutive years that the present auditing firm has audited the annual accounts of the Company and/or its group. Likewise indicate the percent that the number of years with this auditing firm represents with respect to the total number of years that the annual accounts have actually been audited.

	Company	Group
Number of consecutive years	26	25

	Company	Group
Number of years audited by the present auditing firm / Number of years that the Company has been audited (%)	100.00	100.00

C.1.40. Indicate whether there is a procedure for Directors to obtain outside counsel and, if so, describe that procedure.

YES

Description of the Procedure

Article 32 of the Board Regulations includes the following procedure:

In order to be assisted in the performance of his duties, any Director may request the engagement, at the expense of the Company, of legal, accounting, technical, commercial, financial, commercial and other expert advisors.

Such advice must necessarily relate to specific problems of a degree importance and complexity that arise in the discharge of the directors' duties.

The request to engage the advisor will be channelled through the Chairman, which may subject it to prior authorization of the Board of Directors for engagements with an amount above the cap established by the Board of Directors for a period of four (4) years, which may be denied when there are reasons so justifying.

Likewise it is established that the Delegated Commission and the Committees may seek outside advice when they deem it necessary for the fulfillment of their obligations.

C.1.41. Indicate whether there is a procedure for Directors to obtain the information they need in sufficient time to enable them to prepare for the meetings of the governing bodies and, if so, describe that procedure:

YES

Description of the Procedure

The Board Regulations of PRISA contain the following provisions:

A Director will have a duty to demand and right to receive, with the broadest authority, the information and advice needed regarding any aspect of the Company, provided that it is so required for the performance of the Director's functions. The right to information extends to subsidiary companies, whether domestic or foreign, and will be channelled through the Chairman, who will respond to the Director's requests, directly providing the information, offering the appropriate spokesman or marshalling such resources as may be necessary for the requested examination.

In addition the Chairman of the Board, with the assistance of the Secretary, will see to it that all Directors are provided with all documentation that is distributed at meetings of the Delegated Commission and the various other Committees.

The Chairman of the Board, with the assistance of the Secretary (who must take all necessary measures for the correct functioning of the Board), will ensure that the Directors are supplied with sufficient information in advance of board meetings.

Board of Directors meetings will be called at least 7 days in advance and the notice of the meeting will always set out the agenda. The Chairman will make sure that the Directors have the necessary information on the Company's activity and performance to adopt proposed resolutions set out on the agenda of each Board meeting.

Moreover, as pointed out in section C.1.20 of this Report, the Board of Directors has a Guide to Good Practice which constitutes a guide to internal conduct in matters of good governance and which makes a series of practices compulsory, including the sending of information to directors.

C.1.42. Indicate whether the company has rules (and if so, describe those rules) compelling directors to inform and, if warranted, resign in circumstances that may damage the prestige and reputation of the company:

YES

Description of the Procedure
<p>As established in section 24.2. of the Rules of the Board of Directors, Directors must tender their resignation to the Board of Directors and, if the Board deems it to be appropriate, resign, in any circumstance that might harm the company's name or reputation and particularly in the following cases:</p> <ol style="list-style-type: none">1) When they are subject to any of the circumstances of incompatibility or prohibition or grounds for removal contemplated by law.2) When a director is indicted or tried for any of the offences stated in company legislation. <p>Notwithstanding the foregoing, Directors must to inform the board of any criminal charges brought against them and the progress of any subsequent trial.</p> <ol style="list-style-type: none">3) When they are seriously admonished by the Board of Directors for violating their duties as Directors.4) When the reasons for their appointment cease to exist or, in particular, an independent Director or a proprietary Director no longer qualifies as such.5) When, in the course of one year, they fail to physically attend more than two (2) meetings of the Board of Directors, of the Delegated Commission or of the other Committees to which they belong, of which one necessarily must be of a Board meeting, without just cause in the judgment of the Board, the Delegated Commission or the other Committee to which they belong.6) When their remaining on the Board, by reason of lack of suitability, on the terms described in article 38.4 this Regulation, may, directly, indirectly or through persons related thereto, put loyal and diligent exercise of their duties in accordance with the corporate interest at risk.

C.1.43. Indicate whether any member of the Board of Directors has informed the company that he has been prosecuted or that proceedings have been brought against him for any of the offenses listed in Article 213 of the Corporations Law:

NO

Indicate whether the Board of Directors has reviewed the case. If yes, explain the reasons underpinning the decision on whether or not the director should continue in office or, if appropriate, detail the steps taken by the Board of Directors up to the date of this report or the steps it intends to take.

C.1.44. Detail the major agreements entered into by the company that come into force, are changed or terminate in the event that the control of the company changes as a result of a tender offer, and its effects.

i) Refinancing agreement signed by Prisa, HSBC Plc., as agent, and other financial institutions (Override Agreement), in December 2013:

The refinancing agreement includes grounds for acceleration, which include the acquisition of control of PRISA (understood as meaning the acquisition by one or more people acting in concert of more than 30% of the capital with voting rights).

ii) Issue of mandatorily convertible bonds in new shares of Promotora de Informaciones, S.A. and subscription by exchange of loans passed on the General Shareholders Meeting held on April 1, 2016.

The terms and conditions of the bonds foresee that the bondholders will be able to individually request the early conversion of the bonds, totally or partially, if during the 12 months following the Closing Date, that took place on April 7, 2016 [...] (ii) the Spanish Securities Market Regulator (*Comisión Nacional del Mercado de Valores*) authorizes a takeover bid over the shares of the Company.

C.1.45. Identify, in aggregate terms, and indicate, in detail, the agreements between the company and its managers, executives or employees which provide for indemnification, safeguard or golden parachute clauses in the event of their resignation or unjustified dismissal, or in the event that the contractual relationship ends as a result of a tender offer or another type of transaction.

Number of Beneficiaries: 19

Type of Beneficiaries: 3 Consejeros Ejecutivos, 8 miembros de la Alta Dirección y 8 Directivos de Grupo PRISA que no forman parte de la Alta Dirección.

Description of the agreement:

Retirement benefit for Executive Chairman:

The contract signed with the Executive Chairman, Mr. Juan Luis Cebrián Echarri, which entered into effect on 1 January 2014, provides that for each of the years 2014, 2015, 2016, 2017 and 2018, he is entitled to an annual contribution of 1,200,000 euros, as retirement benefit. Mr. Cebrián, founder of El País, in 2016 has reached 40 years of service to the Company.

The retirement benefit will be delivered to Mr. Cebrián upon conclusion of his contract, even though the director resigns of his own accord. In the event of early termination of his contract by the Company, Mr. Cebrián as indemnification will receive exclusively full settlement of the retirement benefit, which will not be compatible with any other kind of indemnification

Indemnification for unjustified dismissal:

i) The contracts of executive directors Mr Jose Luis Sainz Díaz and Mr Manuel Polanco Moreno and the contracts of 7 senior managers includes a special clause that provides, in general terms, an indemnification for unjustified dismissal by the employer in an amount that ranges from between one year and one and a half years of total remuneration (fixed salary plus, normally, the last bonus received).

And the commercial contract with 2 of those senior managers, in turn, provides that the indemnification, alternatively, will be the greater of the following: the indemnification defined in the preceding paragraph or the one that would have been receivable for an ordinary employment relationship in the event of unjustified dismissal. In addition, 3 of those senior managers will receive compensation equivalent to the maximum unemployment benefit that applies at the time the contractual relationship is terminated.

ii) Furthermore, at December 31, 2016, 7 executives of Grupo PRISA (who are not considered part of the Senior Management) had a golden parachute.

Post-contractual noncompetition undertaking:

The contracts of executive directors Mr Jose Luis Sainz Díaz and Mr Manuel Polanco Moreno contain a 1-year post-contractual noncompetition agreement, with compensation equivalent to six months of the last gross fixed salary, payable in equal instalments over the term of the noncompetition agreement.

The contracts of 8 members of the senior management likewise provide for a post-contractual noncompetition agreement of between 6 months and 1 year, with compensation equivalent to 6 months or 1 year, as the case may have it, of the last gross fixed salary, payable in equal instalments over the term of the noncompetition agreement.

In addition, 6 executives not considered part of the senior management have a noncompetition agreement of twelve months with compensation equivalent to six or twelve months of their fixed salary.

Indicate whether such contracts must be reported and/or approved by the governing bodies of the Company or Group:

	Board of Directors	Shareholders 'Meeting
Body authorizing these clauses	YES	NO

Are the participants at the Shareholders 'Meeting informed of these clauses?	YES
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C.2. Committees of the Board of Directors

C.2.1 List all of the Board committees, their members and the proportion of proprietary and independent directors on them:

DELEGATED COMMITTEE

Name	Position	Classification
MR. JUAN LUIS CEBRIÁN ECHARRI	CHAIRMAN	EXECUTIVE DIRECTOR
MR. JOSE LUIS SAINZ DIAZ	MEMBER	EXECUTIVE DIRECTOR
MR. MANUEL POLANCO MORENO	MEMBER	EXECUTIVE DIRECTOR
MR. ROBERTO LAZARO ALCANTARA ROJAS	MEMBER	EXTERNAL DIRECTOR REPRESENTING SIGNIFICANT SHAREHOLDINGS
MR. ALAIN MINC	MEMBER	INDEPENDENT EXTERNAL DIRECTOR
MS. MARIA ELENA PISONERO RUIZ	MEMBER	INDEPENDENT EXTERNAL DIRECTOR
MR. GREGORIO MARAÑON Y BERTRAN DE LIS	MEMBER	INDEPENDENT EXTERNAL DIRECTOR

% EXECUTIVE DIRECTORS	42.86%
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% EXTERNAL DIRECTOR REPRESENTING SIGNIFICANT SHAREHOLDINGS	14.29%
% INDEPENDENT EXTERNAL DIRECTOR	18.57%
% OTHER EXTERNAL	14.29%

Describe the functions attributed to this committee, its rules of procedures organization and functioning, and summarize its most important actions during the year:

The rules governing the organization and operations of the Delegated Commission that are described below are contained in article 17 of the Board of Directors Regulation:

The Delegated Commission will be comprised of at least a third of the Board members and a maximum of eight (8) Board members. The Delegated Commission will be chaired by the Chairman of the Board of Directors, provided that the Chairman has the status of executive Chairman in accordance with article 11.3 of this Regulation, or, if not, by the Chief Executive Officer. The appointment of the members of the Delegated Commission will be made on proposal of the Chairman of the Board of Directors, with the favourable vote of two thirds of the Directors.

The composition of the Delegated Commission must be with a majority of non-executive Directors.

The members of the Delegated Commission will leave office when they leave office as directors, or when so resolved by the Board of Directors.

The Secretary of the Board will act as Secretary of the Committee.

Without prejudice to the authority of the Chairman and the Chief Executive Officer, within the framework of the provisions of article 5 of this Regulation (Functions of the Board of Director), the Delegated Commission will be delegated all authority and competence of the Board that are susceptible of delegation by law, the Articles and the Regulations. As provided in said article, resolutions related to the following matters whose amount is not more than ten million (10,000,000) euros, may be adopted by the Delegated Commission in cases of urgency, duly justified, and must be ratified at the first Board meeting held after adoption of the resolution: i) approval of investments or transactions of any kind that by reason of their high amount or special characteristics are strategic or pose a special tax risk for the Company or the investee or controlled companies in question, unless approval thereof corresponds to the General Meeting, inter alia including the assumption of financial risks or making of derivative financial commitments, including but not limited to loans, credits, guarantees or other security and ii) approval of the creation or acquisition of interests in special purpose vehicles or entities resident in countries or territories considered to be tax havens, and any other transactions or operations of a comparable nature the complexity of which might impair the transparency of the Company or its Group.

The Delegated Commission will meet at least six (6) times each year and whenever it is in the interests of the Company in the judgment of the Chairman, which will call it sufficiently in advance, as well as when requested by two (2) or more of the members of the Delegated Commission.

A majority of the members, present in person or by proxy, will constitute a quorum for the transaction of business at meetings of the Delegated Commission. Members unable to attend may, on an exceptional basis, appoint another director who is a member of the committee to represent them.

Resolutions will be passed by an absolute majority of the members of the Delegated Commission present in person or by proxy.

When called by the Chairman of the Committee other Directors that are not members of the Committee may also attend its meetings, with voice but no vote, as may managers whose reports are necessary for the conduct of the business.

The Delegated Commission will prepare minutes of its meetings on the terms provided for the Board of Directors.

The Delegated Commission will report at the first full meeting of the Board subsequent to its meetings on its activities and will take responsibility for the work performed. The Board will always be apprised of the matters considered and decisions adopted by the Delegated Commission. All members of the Board will receive the information provided at meetings of the Delegated Commission, and copies of the minutes or pro formas thereof before the following meeting of the Board held subsequent to each meeting of the Delegated Commission.

The Delegated Commission may engage external advisors, when it feels this is necessary for the discharge of its duties.

The function performed by the Delegated Committee during 2016 primarily consisted in supervising the activities and results of the Company and of the Board of Directors.

State whether the composition of the delegated or executive committee reflects the participation on the board of the various directors according to their category:

NO

If not, explain the composition of the delegated or executive committee
<p>In the Delegated Committee there is a predominance of executive directors (3 of the members) and, in addition, there are 1 proprietary director, 2 independents and other external director.</p> <p>The Board of Directors is composed of 3 executive directors, 4 proprietary directors, 9 independent directors and by one external director.</p> <p>While the structure of the Board of Directors is not proportionally equal to that of the Delegated Commission, it must be taken into account that all categories of directors are represented on the Delegated Commission and that one of the executive directors (Mr Manuel Polanco Moreno) has also the status of proprietary director</p>

AUDIT COMMITTEE

Name	Position	Classification
GLEN RICHARD MORENO	CHAIRMAN	INDEPENDENT EXTERNAL DIRECTOR
MR. JOSE LUIS LEAL MALDONADO	MEMBER	INDEPENDENT EXTERNAL DIRECTOR
MS. MARIA ELENA PISONERO RUIZ	MEMBER	INDEPENDENT EXTERNAL DIRECTOR
WAALED AHMAD IBRAHIM ALSA'DI	MEMBER	EXTERNAL DIRECTOR REPRESENTING SIGNIFICANT SHAREHOLDINGS

%External Directors representing significant shareholdings	25.00%
%Independent Directors	75.00%

Describe the functions attributed to this committee, its rules of procedures organization and functioning, and summarize its most important actions during the year:

The rules of organization and functioning of the Audit Committee are set out in Article 25 of the Bylaws and in Article 27 of the Board of Directors Regulation.

The Audit Committee will be comprised of the number of Directors from time to time determined by the Board of Directors, with a minimum of three (3) and a maximum of five (5). All members of the Audit Committee will be non-executive Directors. At least two (2) of the members of the Committee will be independent, and at least one of them must be appointed taking account of his knowledge and experience in accounting, auditing or both.

The appointment and removal of Committee members will be carried out by the Board of Directors on proposal of the Chairman.

The members of the Committee will leave office when they leave office as Directors or when so resolved by the Board of Directors.

The Chairman of the Committee will be elected by the Board of Directors from among the members of the Committee that are independent Directors. The Chairman of the Committee must be replaced every four (4) years, and may be re-elected after one year elapses since he left office.

The Secretary of the Board of Directors will act as Secretary of the Committee. In his absence, the Deputy Secretary, if any, will act, or in his absence the member of the Committee that it designates.

The Audit Committee will have the competencies contained in the regulations applicable from time to time. It will also be competence of the Audit Committee, to evaluate all aspects of the non-financial risks the company is exposed to, including operational, technological, legal, social, environmental, political and reputational risks.

The Audit Committee will establish and supervise a mechanism allowing communication to the Audit Committee of irregularities of potential significance, particularly financial and accounting irregularities, discovered within the company. In the case of reports from employees of the Company or its Group, this mechanism will provide for confidentiality and, if deemed to be appropriate, anonymity of the reports.

The Audit Committee will meet from time to time, as needed, but no less than four (4) times per year.

Any member of the management team or employee of the company is required to attend the meetings of the committee, whenever requested to do so, to collaborate with it and provide access to any information it may have. The Committee may also require that the statutory auditors attend its meetings.

The most important actions of the Audit Committee during 2016 are detailed in the annual report on this Committee's activities, which will be published when the 2017 Ordinary General Meeting is called, on the corporate website www.prisa.com.

Identify the director member of the audit committee who has been appointed taking into account his or her knowledge and experience in accounting or audit matters or in both, and state the number of years the chairman of this committee has held said office.

Name of director with experience	GLEN RICHARD MORENO
Number of years chairman has served in that capacity	0

NOMINATION AND COMPENSATION COMMITTEE

Name	Position	Classification
MR. ALAIN MINC	CHAIRMAN	INDEPENDENT EXTERNAL DIRECTOR
MR. JOSEPH OUGHOURLIAN	MEMBER	EXTERNAL DIRECTOR REPRESENTING SIGNIFICANT SHAREHOLDINGS
ALFONSO RUIZ DE ASSIN CHICO DE GUZMAN	MEMBER	INDEPENDENT EXTERNAL DIRECTOR
MR. GREGORIO MARAÑÓN Y BERTRÁN DE LIS	MEMBER CHAIRMAN	OTHER EXTERNAL DIRECTOR

%External Directors representing significant shareholdings	25.00%
%Independent Directors	50.00%
%Other External Directors	25.00%

Describe the functions attributed to this committee, its rules of procedures organization and functioning, and summarize its most important actions during the year:

The rules of organization and functioning of the Nominations and Compensation are set out in Article 27 of the Bylaws and in Article 28 of the Board of Directors Regulation.

1. The Appointment and Remuneration Committee will be comprised of a minimum of three (3) and a maximum of five (5) non-executive Directors. At least two of the members of the Committee must be independent Directors.
2. The appointment and removal of Committee members will be carried out by the Board of Directors on proposal of the Chairman.

The Appointment and Remuneration Committee may require the attendance of the Company's Chief Executive Officer or any officer or employee at its meetings.

The members of the Appointment and Remuneration Committee will leave office when they leave office as directors or when so resolved by the Board of Directors.

The Chairman of the Committee will be elected by the Board of Directors from among those members of the Committee that are independent Directors.

The Secretary of the Board of Directors will act as Secretary of the Committee. In his absence, the Deputy Secretary, if any, will act, or in his absence the member of the Committee that it designates.

3. The Appointment and Remuneration Committee will have the following basic authority:
 - a) Regarding composition of the Board of Directors and the Board Committees of PRISA and the administration bodies of other companies in the Group:
 - i. Evaluating the skills, knowledge and experience required on the Board of Directors. For these purposes, it will define the functions and skills required of candidates that are to fill

each vacancy and will evaluate the time and dedication necessary for them to be able to effectively perform their duties.

- ii. Establishing a goal for representation of women on the Board of Directors, and developing guidance on how to achieve that goal.
 - iii. With a report from the Corporate Governance Committee, making proposals to the Board of Directors of independent Directors to be appointed by co-option or for submission to decision by the General Meeting of shareholders, and proposals for re-election or removal of those Directors by the General Meeting of shareholders.
 - iv. Reporting on proposals for the appointment of other Directors to be designated by co-option or for submission thereof to decision of the General Meeting of shareholders, as well as proposals for re-election or removal by the General Meeting of shareholders, or when there is just cause by reason of the Director's having breached the duties inherent in the position and the bringing of disciplinary proceedings that may mean removal of the Director.
 - v. Reporting, if applicable, on the proposed appointment of the individual representative of a Director that is a legal person.
 - vi. Proposing the classification of Directors in the executive, proprietary, independent or other external Director categories, when appointment of the Directors is to be made or ratified by the General Meeting on proposal of the Board.
 - vii. Reporting, together with the Corporate Governance Committee, on proposals for appointment of the Chairman and Deputy Chairman of the Board, the Chief Executive Officer, the Secretary and Deputy Secretary of the Board, the members of the Delegated Commission and the other Committees of the Board of Directors.
 - viii. Reporting, together with the Corporate Governance Committee, on a proposal for removal of the Secretary and Deputy Secretary of the Board.
 - ix. Reviewing and organising the succession of the Chairman of the Board of Directors and, if applicable, the chief executive of the Company, formulating the proposals to the Board of Directors considered to be appropriate, in order for that succession to occur in an orderly and well-planned manner.
 - x. Reporting on proposals for the appointment of the representatives of the Company on the administration bodies of its subsidiary companies.
- b) Regarding the senior management of the Group:
- i. Proposing the classification of senior management personnel.
 - ii. Reporting on proposals for appointment and removal of senior managers and the basic terms of their contracts.
 - iii. Receiving information and, if necessary, issuing reports on disciplinary action taken against senior managers of the Company.
- c) Regarding the compensation policy:
- i. Proposing to the Board of Directors, for submission to the General Shareholders Meeting, the compensation policy for Directors and general managers or those performing senior management functions under the direct supervision of the Board, Delegated Commissions or Chief Executive Officer, as well as the individual compensation and other contractual conditions of executive Directors, ensuring compliance therewith.

- ii. Approving the objectives associated with variable compensation of executive Directors and/or the managers.
 - iii. Reporting to the Board on calculation of the variable compensation of the senior managers of the Company, as well as calculation of other incentive plans destined thereto.
 - iv. Ensuring compliance with the compensation policy established by the Company.
- d) Other authority
- i. Annually approving a report on the functioning of the Committee and proposing publication thereof to the Board of Directors, upon the holding of the General Shareholders Meeting.
 - ii. Exercising all other powers assigned to the Committee in this Regulation.
4. The Committee will meet whenever the Board of Directors of the Company or the Delegated Commission requests that it issue a report or approve proposals on matters within the scope of the Committee's responsibilities, and whenever the Committee Chairman deems appropriate for the proper discharge of the Committee's duties.
5. Any member of the management team or employee of the company is required to attend the meetings of the committee, whenever requested to do so, to collaborate with it and provide access to any information it may have.

The most important actions of the Nominations and Compensation Committee during 2016 are detailed in the annual report on this Committee's activities, which will be published when the 2017 Ordinary General Meeting is called, on the corporate website www.prisa.com.

CORPORATE GOVERNANCE COMMITTEE

Name	Position	Classification
MR. ERNESTO ZEDILLO	CHAIRMAN	INDEPENDENT EXTERNAL DIRECTOR
MR. JOHN PATON	MEMBER	INDEPENDENT EXTERNAL DIRECTOR
MS. BLANCA HERNANDEZ RODRIGUEZ	MEMBER	INDEPENDENT EXTERNAL DIRECTOR
MR. KHALID BIN THANI BIN ABDULLAH AL THANI	MEMBER	EXTERNAL DIRECTOR REPRESENTING SIGNIFICANT SHAREHOLDINGS

%External Directors representing significant shareholdings	25.00%
%Independent Directors	75.00%

Describe the functions attributed to this committee, its rules of procedures organization and functioning, and summarize its most important actions during the year:

The rules of organization and functioning of the Corporate Governance Committee are set out in Article 26 of the Bylaws and in Article 29 of the Board of Directors Regulation.

The Corporate Governance Committee will be comprised of a minimum of three (3) and a maximum of five (5) non-executive Directors. At least two (2) of them must be independent Directors.

The appointment and removal of Committee members will be carried out by the Board of Directors on proposal of the Chairman.

The members of the Corporate Governance Committee will leave office when they leave office as directors or when so resolved by the Board of Directors.

The Chairman of the Committee will be elected by the Board of Directors from among those members of the Committee that are independent.

The Secretary of the Board of Directors will act as Secretary of the Committee. In his absence, the Deputy Secretary, if any, will act, or in his absence the member of the Committee that it designates.

The Corporate Governance Committee will have the following basic authority:

- a) Regarding composition of the Board of Directors and the Board Committees:
 - i. Reporting on proposals for the appointment of independent Directors.
 - ii. Proposing the appointment of the Coordinating Director to the Board.
 - iii. Annually reviewing the classification of the Directors in order to prepare the Annual Corporate Governance Report.
 - iv. Reporting, together with the Appointment and Remuneration Committee, on proposals for appointment of the Chairman and Deputy Chairman of the Board, the Chief Executive Officer, the Secretary and Deputy Secretary of the Board of Directors, and the members of the Delegated Commission and the other Committees of the Board of Directors.
 - v. Reporting, together with the Appointment and Remuneration Committee, on proposals for removal of the Secretary and Deputy Secretary of the Board of Directors.
 - vi. Presenting a report to the Board of Directors for evaluation of the functioning of the Board and its Committees, also presenting an action plan correcting the detected deficiencies, if any, as well as performance of their functions by the Chairman of the Board, which evaluation will be addressed to the Coordinating Director, and by the chief executive of the Company.
- b) Regarding the corporate governance and corporate social responsibility strategy of the Company:
 - i. Promoting the Company's corporate governance strategy.
 - ii. Being apprised of, promoting, guiding and supervising the actions of the Company regarding corporate social responsibility and sustainability and corporate reputation and reporting thereon to the Board of Directors and the Delegated Commission, as applicable.
 - iii. Reporting and proposing to the Board of Directors the approval of the Annual Corporate Governance Report.
 - iv. Reporting and proposing to the Board of Directors the approval of the annual report on corporate social responsibility and, in general, issuing the reports and undertaking the actions that, regarding corporate social responsibility and sustainability, correspond thereto, and in addition, those required in accordance with the corporate governance of the Company or requested by the Board of Directors or its Chairman.
 - v. Monitor and evaluate the company's interaction with its stakeholder groups.

- c) Regarding the Company's internal rules:
- i. Proposing approval of a Code of Conduct to the Board.
 - ii. Reporting on proposals for amendment of the Articles of Association, the Board Regulation, the Meeting Regulation, the Rules for the Functioning of the Electronic Shareholder Forum, the Internal Conduct Regulation, the Code of Conduct and any other governance rules of the Company.
 - iii. Examining compliance with the Board Regulation, the Internal Conduct Regulation and, in general, the company's governance rules, and making the proposals necessary for improvement.
- d) Other authority:
- i. Reviewing the regulatory compliance policy and proposing all measures necessary to strengthen it.
 - ii. Annually approving a report on the functioning of the Committee and proposing publication thereof to the Board of Directors, upon the holding of the General Shareholders Meeting.
 - iii. Exercising all other powers assigned to the Committee in this Regulation.

The Committee will meet whenever the Board of Directors of the Company or the Delegated Commission requests that it issue a report or approve proposals on matters within the scope of the Committee's responsibilities, and whenever the Committee Chairman deems appropriate for the proper discharge of the Committee's duties.

For the fulfilment of its duties, the Committee may request attendance at its meetings of any member of the management team or personnel of the Company, and any worker of the Company or any of its subsidiaries, and will have access to all corporate information.

The most important actions of the Corporate Governance Committee during 2016 are detailed in the annual report on this Committee's activities, which will be published when the 2017 Ordinary General Meeting is called, on the corporate website www.prisa.com.

COMMITTEE FOR STRATEGIC DIGITAL CHANGE

Name	Position	Classification
MR JOHN PATON	CHAIRMAN	INDEPENDENT EXTERNAL DIRECTOR
MR. JUAN LUIS CEBRIÁN ECHARRI	MEMBER	EXECUTIVE DIRECTOR
MR. JOSE LUIS SAINZ DIAZ	MEMBER	EXECUTIVE DIRECTOR

%Executive Directors	66.67%
%Independent Directors	33.33%

Describe the functions attributed to this committee, its rules of procedures organization and functioning, and summarize its most important actions during the year:

The rules of organization and functioning of the Committee for Strategic Digital Change are set out in Article 30 of the Board of Directors Regulation.

The Committee for Strategic Digital Change will be comprised of a minimum of three (3) and a maximum of five (5) Directors. At least two (2) of them must be independent Directors.

The appointment and removal of Committee members will be carried out by the Board of Directors on proposal of the Chairman.

The members of the Committee for Strategic Digital Change will leave office when they leave office as directors or when so resolved by the Board of Directors.

The Chairman of the Committee will be elected by the Board of Directors from among those members of the Committee that are independent.

The Deputy Secretary of the Board, if any, will act as Secretary of the Committee. In his absence, the Secretary of the Board of Directors and, in the absence of the Secretary, the member of the Committee designated by it will so act.

The Committee for Strategic Digital Change will have the following basic authority:

- i. Being apprised of, promoting, guiding and supervising the actions of the Company regarding innovation, digital transformation and reporting thereon to the Board of Directors.
- ii. Proposing a coordinated strategy for digital transformation of the Company and its various Business Units, and for evaluation of its impact on present or future business.
- iii. Advising the Board of Directors in relation to innovation, technology developments and adaptation to new realities.
- iv. Advising the Board of Directors in the preparation of a Strategic Plan for digital transformation and supervising implementation of that Strategic Plan.
- v. Periodically reviewing the Strategic Plan for digital transformation and proposing amendment and updating thereof to the Board of Directors.
- vi. Seeing to achievement of the milestones fixed in the Strategic Plan for digital transformation and evaluating implementation thereof by the Company and its business units.
- vii. Advising the Board of Directors regarding any digital initiatives existing in the market that may be beneficial for the Company.
- viii. Evaluating the business opportunities and initiatives presented to the Company in the digital and technological transformation area.
- ix. Evaluating, analyzing and reporting to the Board of Directors on investment transactions in the digital transformation area.
- x. Analyzing the various measurement and observation tools launched at the national and international level regarding digital transformation and providing recommendations for improvement of the positioning of the Company and its group of companies.
- xi. Annually approving a report on the functioning of the Committee and proposing publication thereof to the Board of Directors, upon the holding of the General Shareholders Meeting.

The Committee will meet periodically based on needs and whenever the Board of Directors of the Company or the Delegated Commission requests that it issue a report or approve proposals on matters within the scope of the Committee's responsibilities, and whenever the Committee Chairman deems appropriate for the proper discharge of the Committee's duties.

For the fulfilment of its duties, the Committee may request attendance at its meetings of any member of the management team or personnel of the Company, and any worker of the Company or any of its subsidiaries, and will have access to all corporate information.

The most important actions of the Committee for Strategic Technologic Change during 2016 are detailed in the annual report on this Committee's activities, which will be published when the 2017 Ordinary General Meeting is called, on the corporate website www.prisa.com.

C.2.2 Complete the following table with information on the number of female directors who have sat on Board committees during the previous four years:

	Number of female directors			
	Year 2016 Number %	Year 2015 Number %	Year 2014 Number %	Year 2013 Number %
Delegated Committee	1 (14.28)	0 (00.00)	0 (00.00)	0 (00.00)
Audit Committee	1 (25.00)	0 (00.00)	0 (00.00)	1 (25.00)
Nomination and Compensation Committee	0 (00.00)	1 (25.00)	1 (25.00)	0 (00.00)
Corporate Governance Committee	1 (25.00)	2 (50.00)	2 (50.00)	2 (50.00)
Committee for Strategic Digital Change	0 (00.00)	0 (00.00)	0 (00.00)	0 (00.00)

C.2.3 Section repealed

C.2.4 Section repealed

C.2.5. Indicate, if applicable, whether there are board committee regulations, and if so, where they are available for consultation and any amendments made to them during the financial year. Likewise indicate whether any non-mandatory annual reports are issued concerning the activities of each committee:

As already pointed out in section C.2.1 above, the functioning, powers and composition of the Delegated Committee, Audit Committee, Nomination and Compensation Committee, Corporate Governance Committee are regulated by the Bylaws and by the Board Regulations, which have not been modified during the year. The Committee for Strategic Digital Change is regulated by the Board Regulations.

In 2016 the Audit, Nomination and Compensation, Corporate Governance Committees and the Committee for Strategic Digital Change published reports on their functions and activity during 2015. Those reports were made available to the shareholders when the ordinary general meeting of April 2016 was called and are posted on the Company's website (see Material Disclosure no 235632 of February 29, 2016).

Those committees will again issue reports on their functions and activities during 2016, which will likewise be made available to the shareholders.

C.2.6 Section repealed

D. RELATED-PARTY TRANSACTIONS AND INTRAGROUP TRANSACTIONS

D.1 Identify the competent body and explain, if appropriate, the procedure for approving related-party transactions or intra-group transactions.

Procedure for reporting the approval of related-party transactions

The Board of Directors Regulation provides that is a non delegable function of the Board of directors the approval, after a report from the Audit Committee, of related party transactions, being required that the innocuousness of the authorized transaction from the point of view of the corporate assets be guaranteed or, if applicable, that it be undertaken on market terms in a transparent process.

Directors that are affected by a related party transaction, in addition to not voting, will leave the meeting room while these matters are debated and voted upon.

Transactions with Directors (article 38 of the Board of Directors Regulation):

Authorization of the Board of Directors will not be necessary for those director's transactions that simultaneously satisfy the following three conditions:

- a) They are governed by standard form agreements applied on an across-the-board basis to a large number of customers;
- b) They are entered into at market prices or rates, generally set by the person supplying the goods or services;
- c) The amount is no more than 1% of the Company's annual revenue.

Transactions with Significant Shareholders (article 39 of the Board of Directors Regulation):

The Board of Directors formally reserves the right to be apprised of any transaction of the Company or any of its subsidiaries with a significant shareholder or with persons related thereto, as provided in article 5 of this Regulation. The affected Directors, or those representing or related to the affected shareholders, must refrain from participating in deliberation and voting on the resolution in question.

Under no circumstances will any such transaction be authorized before a report has been issued by the Audit Committee evaluating the transaction in the light of market conditions.

However, authorization of the Board of Directors will not be deemed to be required in those transactions that simultaneously satisfy the following conditions:

- a) They are governed by standard form agreements applied on an across-the-board basis to a large number of customers;
- b) They are entered into at market prices or rates, generally set by the person supplying the goods or services;
- c) The amount is no more than 1% of the Company's annual revenue.

The Company discloses related-party transactions in accordance with the relevant legal provisions. Likewise, art. 40 of the Board Regulations provides that in its annual public information the Board of Directors shall include a summary of Company transactions with its directors and significant shareholders. This information shall reflect the overall volume of transactions and the nature of the most relevant ones.

D.2. Give details of transactions of a significant nature on account of the sums involved or material transactions on account of the subject-matter involved carried out between the company or entities of its group and the significant shareholders of the company:

Significant Shareholder's Name	Name of the Company or Entity in the Group	Nature of the Relationship	Type of Transaction	Amount (Euros 000)
TELEFÓNICA, S.A.	GRUPO PRISA	Commercial	Rendering of services	3,167
CAIXABANK, S.A.	GRUPO PRISA	Commercial	Rendering of services	2,407
BANCO SANTANDER, S.A.	GRUPO PRISA	Commercial	Rendering of services	2,259
RUCANDIO, S.A.	GRUPO PRISA	Commercial	Rendering of services	22
TELEFÓNICA, S.A.	GRUPO PRISA	Commercial	Reception of services	7,758
BANCO SANTANDER, S.A.	PROMOTORA DE INFORMACIONES, S.A.	Commercial	Reception of services	250
HSBC HOLDINGS, PLC	PROMOTORA DE INFORMACIONES, S.A.	Commercial	Reception of services	497
BANCO SANTANDER, S.A.	GRUPO SANTILLANA DE EDUCACION GLOBAL, S.L.	Contractual	Financing Agreements: Loans	5,692
BANCO SANTANDER, S.A.	MEDIA GLOBAL, SGPS	Contractual	Financing Agreements: Loans	7,036
BANCO SANTANDER, S.A.	ANTENA 3 DE RADIO, S.A.	Contractual	Financing Agreements: Loans	5,941
CAIXABANK, S.A.	PROMOTORA DE INFORMACIONES, S.A.	Contractual	Financing Agreements: Loans	57,699
HSBC HOLDINGS, PLC	PROMOTORA DE INFORMACIONES, S.A.	Contractual	Financing Agreements: Loans	456,606
BANCO SANTANDER, S.A.	GRUPO PRISA	Contractual	Interest paid	606
BANCO SANTANDER, S.A.	GRUPO PRISA	Contractual	Interest accrued but not paid	47
CAIXABANK, S.A.	PROMOTORA DE INFORMACIONES, S.A.	Contractual	Interest paid	1,591
CAIXABANK, S.A.	PROMOTORA DE INFORMACIONES, S.A.	Contractual	Interest accrued but not paid	12
HSBC HOLDINGS, PLC	PROMOTORA DE INFORMACIONES, S.A.	Contractual	Interest paid	13,783
HSBC HOLDINGS, PLC	PROMOTORA DE INFORMACIONES, S.A.	Contractual	Interest accrued but not paid	290
TELEFÓNICA, S.A.	GRUPO PRISA	Contractual	Operating lease agreements	3,202
CAIXABANK, S.A.	SOCIEDAD ESPAÑOLA DE RADIODIFUSIÓN, S.L.U.	Contractual	Financing Agreements: Loans	150
BANCO SANTANDER, S.A.	PROMOTORA DE INFORMACIONES, S.A.	Contractual	Financing Agreements: Loans: others	9,802
CAIXABANK, S.A.	PROMOTORA DE INFORMACIONES, S.A.	Contractual	Financing Agreements: Loans: others	9,802
HSBC HOLDINGS PLC	PROMOTORA DE INFORMACIONES, S.A.	Contractual	Financing Agreements: Loans: others	83,088
BANCO SANTANDER, S.A.	GRUPO SANTILLANA EDUCACIÓN GLOBAL, S.L.	Contractual	Warranties	312
BANCO SANTANDER, S.A.	SERVIÇOS DE INTERNET, S.A.	Contractual	Warranties	59

CAIXABANK, S.A.	PRISA BRAND SOLUTIONS, S.L.U.	Contractual	Warranties	250
BANCO SANTANDER, S.A.	PRISA RADIO, S.L.	Contractual	Warranties	327

D.3 Give details of transactions of a significant nature on account of the sums involved or material transactions on account of the subject-matter involved carried out between the company or entities of its group and the company's directors or executives:

Manager's or Director's Name	Name of the Company or Entity in the Group	Relationship	Nature of the Relationship	Amount (Euros 000)
GREGORIO MARAÑÓN Y BERTRÁN DE LIS	PROMOTORA DE INFORMACIONES, S.A.	PROVISION OF SERVICES	Contractual	90

D.4 Provide information on significant transactions carried out by the company with other entities of the same group, where such transactions are not eliminated in the process of preparing the consolidated financial statements and do not fall within the usual course of the company's business, as regards their subject-matter or terms and conditions.

In all cases, information must be provided on any intra-group transactions carried out between entities established in countries or territories regarded as tax havens:

Name of the Group Entity	Brief Description of the Transaction	Amount (Euros 000)
LE MONDE LIBRE	LOAN GRANTED BY PRISA NOTICIAS, S.L. TO LE MONDE LIBRE SOCIÉTÉ COMANDITÉ SIMPLE.	9,070
SOCIEDAD ESPAÑOLA DE RADIODIFUSION, S.L.	DIVIDENDS PAID BY SISTEMAS RADIOPOLIS, S.A. DE CV TO ITS SHAREHOLDER SOCIEDAD ESPAÑOLA DE RADIODIFUSION, S.L.	4,524
SOCIEDAD ESPAÑOLA DE RADIODIFUSION, S.L.	LOANS GRANTED BY SOCIEDAD ESPAÑOLA DE RADIODIFUSION, S.L. TO THE COMPANIES IN WHICH IT HOLDS HOLDINGS, W3COMM CONCESIONARIA, S.A. DE CV AND GREEN EMERALD BUSINESS INC.	2,848
PRISA RADIO, S.A.	INCOME RECEIVED BY PRISA RADIO, S.A FOR THE PROVISION OF TECHNICAL ASSISTANCE AND ADVISORY SERVICES TO SISTEMAS RADIOPOLIS, S.A. DE CV	1,260
EDICIONES EL PAÍS, S.L.	INCOME RECEIVED BY EDICIONES EL PAÍS, S.L. FOR THE SALE OF COPIES TO KIOSKOYMÁS, SOCIEDAD GESTORA DE LA PLATAFORMA TECNOLÓGICA, SL	411
PRISA NOTICIAS, S.L	THE FINANCIAL EXPENSE RECORDED BY PRISA NOTICIAS, S.L. DUE TO THE DETERIORATION OF	474

	THE LOAN MADE TO LE MONDE LIBRE SOCIETE COMANDITÉ SIMPLE	
SOCIEDAD ESPAÑOLA DE RADIODIFUSIÓN, S.L.	THE FINANCIAL EXPENSE RECORDED BY SOCIEDAD ESPAÑOLA DE RADIODIFUSIÓN, S.L DUE TO THE DETERIORATION OF THE LOAN MADE TO GREEN EMERALD BUSINESS	530

D.5 State the amount involved in related-party transactions.

0

D.6. Describe the mechanisms in place to detect, determine and resolve possible conflicts of interest between the Company and/or its group and its directors, managers and significant shareholders.

1. Provisions of the Board of Directors Regulation:

“Article 37 (Duty of Loyalty): Directors must fulfil their duties with the loyalty of a faithful representative, acting in good faith in the Company’s best interests. In particular they must ...c) Refrain from participating in deliberation and voting on resolutions or decisions in which the Director or a related person has a conflict of interest, direct or indirect. Excluded from this prohibition are the resolutions or decisions that affect the Director in its status as such, such as the Director’s appointment or removal from positions on the Board of Directors or others of a comparable kind.

In particular, Directors that are affected by a related party transaction, in addition to not voting, will leave the meeting room while these matters are debated and voted upon.”

“Article 38 (Conflicts of Interest and Transactions with Directors): Directors must adopt the necessary measures to avoid situations in which their interests, on their own behalf or on behalf of another, can be in conflict with the Company’s interests and their duties to it.

This does not apply to circumstances in which the Company has consented on the terms contemplated in section 5 of this Article.

The Directors will report any situations involving any direct or indirect conflict that they, or any person related thereto, may have with the interests of the Company. In particular, they must report those situations that may result in the existence of conflicts of interest, as provided in chapter V (currently is the title 4) of the "Internal Conduct Regulation for Matters Related to the Securities Markets of Promotora de Informaciones, S.A. and its Group of Companies".

In particular, Directors, must refrain from:

- a) Entering into transactions with the Company, except in the case of ordinary transactions, on standard terms for customers and of little relevance, on the legally contemplated terms.*
- b) Using the name of the Company or invoking status as a Director to unduly influence private transactions.*
- c) Using corporate assets, including the confidential information of the Company, for private purposes.*
- d) Appropriating the business opportunities of the Company.*

- e) *Obtaining benefits or compensation from third parties, other than the Company and its Group related to the performance of the Director's duties, except in the case of mere courtesies.*
- f) *Engaging in activities on its own behalf or on behalf of others that involve effective competition, whether actual or potential, with the Company or that in any other way place it in permanent conflict with the interests of the Company. This does not apply to such positions as they may hold in companies having stable significant shareholdings in the Company.*

The restrictions set forth above are also applicable if the beneficiary of the situations or activities forbidden is a Director's related person.

Notwithstanding the foregoing, in those cases in which the conflict of interest is or may reasonably be expected to be of such nature that it constitutes a structural and permanent conflict between the Director (or a person related thereto or, in the case of a proprietary Director, the shareholder or shareholders that proposed or made the appointment or the persons directly or indirectly related thereto) and the Company or the companies in its Group, the Director will be deemed to be or have become unsuitable for exercise of the position for purposes of the provisions of article 24 of this Regulation.

The General Meeting of the Company may release a Director or related person from the prohibition on obtaining a benefit or compensation from third parties, or those transactions the value of which is greater than ten percent (10%) of the company's assets. The obligation not to compete with the Company may only be waived if no damage to the Company is to be expected, or it is expected that it would be compensated for the benefits expected to be obtained from the waiver. The waiver will be granted by way of express and separate resolution of the General Meeting.

In other cases that affect the prohibitions contained in this article, the authorization also may be granted by the Board of Directors, provided that the independence of the members granting it is assured, as regards the Director granted the waiver. In addition, it will be required that the innocuousness of the authorized transaction from the point of view of the corporate assets be guaranteed or, if applicable, that it be undertaken on market terms in a transparent process.

Without prejudice to the foregoing, authorization of the Board of Directors will not be necessary for those related party transactions that simultaneously satisfy the following three conditions:

- d) *They are governed by standard form agreements applied on an across-the-board basis to a large number of customers;*
- e) *They are entered into at market prices or rates, generally set by the person supplying the goods or services;*
- f) *The amount is no more than 1% of the Company's annual revenue."*

"Article 39 (Transactions with Significant Shareholders): Without prejudice to the provisions of the preceding article, the Board of Directors formally reserves the right to be apprised of any transaction of the Company or any of its subsidiaries with a significant shareholder or with persons related thereto, as provided in article 5 of this Regulation. The affected Directors, or those representing or related to the affected shareholders, must refrain from participating in deliberation and voting on the resolution in question.

Under no circumstances will any such transaction be authorized before a report has been issued by the Audit Committee evaluating the transaction in the light of market conditions.

However, authorization of the Board of Directors will not be deemed to be required in those transactions that simultaneously satisfy the conditions set forth in article 38.5 above."

2. Provisions of the Internal Conduct Regulation for Matters Related to the Securities Markets of Promotora de Informaciones, S.A. and its Group of Companies" (RIC), which has been modified in July 2016 to its adaptation to Regulation (EU) 596/2014 of 16 April 2014 on market abuse, states the following regarding conflicts of interest:

“Article 22 (Conflict of Interest): A conflict of interest shall be deemed to exist when any of the following applies to an Affected Person in relation to the entities referred to in this section:

- 1. The party is a director or senior manager with regular access to Inside Information directly or indirectly relating to the entity in question, and with power to make management decisions affecting the said entity’s future evolution and business prospects.*
- 2. The party holds a significant holding (meaning: for companies listed in any official Spanish or foreign secondary market, those referred to in article 125 SML and its implementing legislation; and, for unlisted Spanish or foreign companies, any direct or indirect holdings of more than twenty percent of the issued share capital).*
- 3. The party is a relative, to the second degree by affinity or third degree by consanguinity, of the parties referred to in article 21.1 above or of holders of significant holdings in their share capital.*
- 4. The party has relevant direct or indirect contractual relations.*

Affected Persons subject to conflicts of interest must observe the following general principles of action:

Independence: Affected Persons must at all times act with freedom of opinion, loyalty to the Company and its shareholders and independently of their own or third parties’ interests. Consequently, they shall refrain from placing their own interests above those of the Company or those of some investors over others.

Refrainment: They must refrain from being involved in, or influencing, the taking of any decisions that could affect the persons or entities with which there is a conflict and from accessing Inside Information that affects such conflict.

Disclosure: Affected Persons must inform the Compliance Unit of any possible conflicts of interest in which they may be involved as a result of their activities outside the Company, their family ties, personal assets or for any other reason, as regards:

- (a) The Company or any of the GRUPO PRISA companies.*
- (b) Significant suppliers or customers of the Company or of GRUPO PRISA companies.*
- (c) Entities engaged in the same type of business as, or which are competitors of, the Company or any of the GRUPO PRISA companies.*

Any queries regarding the possibility of a conflict of interest must be discussed with the Compliance Unit, and the final decision shall be made by the Audit Committee”.

3. Provisions of the Code of Ethics of Grupo PRISA:

The Code of Ethics, which applies to directors, amongst others, underscores the duty to avoid situations that could give rise to conflict between private interests and those of the company and requires that such situations be disclosed to the Company.

D.7 Are more than one of the group companies listed in Spain?

NO

Specify the subsidiary companies that are listed:

Indicate whether the areas of activity they engage in and any business dealings between them, and between the listed subsidiary and other group companies, have been publicly and precisely defined;

Define any business dealings between the parent company and the listed subsidiary, and between the listed subsidiary and other group companies

Identify the mechanisms envisaged for the resolution of potential conflicts of interest between the listed subsidiary and other group companies:

Mechanisms for the resolution of any conflicts of interest

E. CONTROL AND RISK MANAGEMENT SYSTEMS

E.1 Explain the scope of the Risk Management System of the company, including those of a tax nature.

The Risk Management System functions in an integrated way by business unit and the management of it is consolidated at corporate level.

The Group continuously monitors the most significant risks, including tax risks, which could affect the business units. To do so it has a risk map which it uses as a tool for representing the risks inherent in the Group in graphic form, in order to identify and assess the risks that may affect the performance of the activities of the different business units.

E.2 Identify the bodies of the company with responsibility for drawing up and implementing the Risk Management System, including tax risks.

The identification of the risks and the operating processes in which each of the risks considered is managed is the responsibility of the general managers of the business units and the corporate general manager and is aggregated and homogenized by the Group's Internal Audit Department, which reports the results regularly to the Audit Committee. The respective business unit managers identify both the people responsible for managing each risk and the associated action plans and controls.

E.3 Indicate the main risks, including tax risks, that may affect achievement of the business goals.

The activities of the subsidiaries of the Group and therefore its operations and results are subject to risks that can be grouped into the following categories:

- Strategic and operational risks on the Group's businesses.
- Financial risks.

Strategic and operational risks of the business of the Group

Macroeconomic risks-

In 2016, growth rates in Spain and Portugal were positive. After the important slowdown and volatility experienced in recent years, since late 2013 a change in this trend was shown and has consolidated in the last years. 2017 is also expected to have positive growth rates.

Main consumption indicators in these countries have been significantly deteriorated, and have impacted and still could impact, in case expectations of growth are not attained, in the future spending by customers on the products and services of the Group, including advertisers and other consumers of the content offerings of Prisa.

Furthermore, the activities and investments of Prisa in Latin America are exposed to the evolution of the various macroeconomic parameters of each country including a potential decline in consumption as a result of a slowdown in the growth rate in some of these countries, or recession in the economies.

Venezuela is maintained as the economy with the greatest structural risk in the Latin American region, while Brazil shows signs of stabilization, and it is expected to return to positive growth rates in 2017. Colombia grew in the year although with risks related to inflation. Chile showed certain signs of acceleration. Mexico showed signs of slowdown due to the result in the American presidential election and Argentina remained immersed in its economic transition process. In general terms, macroeconomic forecasts are showing growths in most of the countries except Venezuela, Ecuador and Puerto Rico.

During 2016, the Group's results in Latin America were negatively affected by the weak exchange rate in the region. The impact has become more moderated during the second half of the year for major Latin American currencies. For 2017, an appreciation of major Latin America currencies is expected (except in Mexico and Argentina) in the comparison with 2016.

Additional deterioration of the exchange rates could have an adverse effect on operating results and the financial condition of the Group.

Decline in advertising markets-

A relevant portion of the operating income (revenues) comes from advertising revenues through the press, radio, audio-visual and digital businesses. Expenditures by advertisers tend to be cyclical, reflecting overall economic conditions and perspectives.

In case those growth expectations in Spain, Portugal and certain Latin American countries were not met and the slowdown in growth or recession in other Latin American countries continued, the prospects of expense of the Group's advertisers could be adversely affected. In view of the great component of fixed costs associated to the businesses with a high component of advertising revenue (mainly Radio, Press and Television), a drop in advertising revenues directly impacts operating profit and therefore the Group's cash flow generation ability.

In addition, advertising revenue in the print media is affected by the change in the business model of the sector towards a digital environment.

Drop of circulation-

Press revenues from copy sales and subscriptions continue being negatively affected by the growth of alternative means of distribution, including free Internet sites for news and other contents. At the moment, there is no sign of this trend to change.

Competition risk-

The businesses of audio-visual, education, radio and press in which Prisa operates are highly competitive industries. The ability to anticipate and adapt to new needs and customer demands, influences the position of the Group's businesses compared to other competitors.

Sector regulation-

Prisa operates in regulated industries and is therefore exposed to regulatory and administrative risks that could adversely impact its business.

Specifically, the Group businesses are subject to comprehensive regulations including the requirement to maintain concessions and licenses for the operations in Audio-visual and Radio segments, while the business of education is subject to the applicable law on national or regional education cycles.

Country risk-

The Group operations and investments may be affected by various risks typical to investments in countries with emerging economies or under unstable situations, the most significant of which include devaluation of foreign currencies, introduction of exchange restrictions, inflation, expropriation or nationalization of foreign assets, changes in applicable foreign tax levels or changes in policies and regulations.

In the specific case of Education, a relevant part of its revenues in Latam come from public sales to Governments. Sales of the business could be negatively affected as far as macroeconomic parameters worsen or there are changes in educational policies.

Litigation risks-

Prisa is involved in significant litigations, which are described in the accompanying consolidated financial statements. Additionally, Prisa is exposed to liabilities for the content of their publications and programs.

Digital activity and safety net systems-

Digital activities depend on internet service providers, online service providers and on systems infrastructure. Significant system failures or security breaches could have an adverse effect on operating results and financial condition of the Group.

Technological risks-

In order to maintain and increase its businesses and competitiveness, Prisa must adapt to technological advances, for which research and development are key factors. Technological changes may facilitate the entry of new competitors and potential market share decrease of the Group.

In addition, services for managing information technology and developing R&D+innovation projects in some of the companies of the Group are outsourced to Indra Sistemas, S.A. ("Indra"). If these services were not to continue or were transferred to a new services provider, the operations of the Group could be affected.

Financial Risks

Financing risks -

The financial obligations of the Group are described in note 11b "*Financial Liabilities*" of the consolidated financial statements for 2016.

As is described in that note, in the month of December of 2013 the Group signed a debt refinancing agreement.

From that moment, the company paid off a total of EUR 1,751,385 thousand using the proceeds from the sale of Mediaset España, DTS and the increases in capital subscribed by Consorcio Transportista Occher, S.A. de C.V. and International Media Group, Sá.r.l. Additionally, during 2016 financial debt was reduced by EUR 100,742 thousand due to the issuance of mandatorily convertible bonds into newly issued ordinary shares of Prisa through conversion of financial debt of the company.

These operations allowed the Group to fulfill in advance commitments of debt reduction included in the refinancing agreement at December 31, 2015, in such a way that the next relevant financial commitment is to fall due in 2018, when Tranche 2 falls due for a total amount of EUR 956,512 thousand.

The Group is studying several options to settle this obligation such as the total or partial sale of assets, buying back debt at a discount in the market, leveraging operating assets and carrying out other corporate transactions. These options under study could be insufficient in case the generation of proceeds was not enough or in case the company does not reach an agreement with financial entities.

The value of the Group's assets in possible divestment processes could be affected by changes in financial markets or in the macroeconomic situation of the countries in which the Group operates. In this sense, the value of the assets could be affected by exchange rate depreciations against the euro or by situations of deceleration and volatility in different countries.

According to the contracts governing borrowing conditions and stipulated requirements, Prisa must meet certain commitments and financial leverage ratios (covenants). These contracts also include cross-default disposals.

As of December 31, 2016, the level of the Group net bank debt (EUR 1,486 million), imply certain risks:

- increasing the vulnerability to general economic downturns and adverse industry conditions;
- requiring a portion of cash flow from operations to be dedicated to the payment of interest on the indebtedness, therefore reducing the ability to use cash flow to fund short term operations, working capital requirements, capital expenditures and future business operations;
- exposing the Group to the risk of increased interest rates, as a part of the borrowings are at variable rates of interest; and
- limiting the ability to adjust to changing market conditions and placing the Group at a disadvantage compared to competitors who have less debt.

Equity situation of the parent company of the Group-

The equity situation of the parent company of the Group has been affected in the past by losses from registering the sale agreement of 56% of DTS which led to the automatically converted Tranche 3 debt into participating loans, in order to restore the equity balance, as shown in the Group's financing agreements (*see note 11 "Financial Liabilities" in the consolidated financial statement of Prisa*).

At December 31, 2016 the equity of the Company with respect to the cause of dissolution and/or reduction of capital stipulated in Spain's Corporate Enterprises Act (including participating loans outstanding at end) stood at EUR 159,176 thousand, which was over two thirds of the share capital.

Additional losses to be registered by the Parent Company could result in an equity imbalance situation and could imply that the company was in cause for dissolution.

Liquidity Risk-

The adverse macroeconomic situation, with significant drops in advertising and circulation has had a negative impact on the ability of the Group's cash generation in the last years, mainly in Spain. The advertising-dependent businesses have a high percentage of fixed costs and drop in advertising revenue significantly impact on margins and cash position, hindering the implementation of additional measures to improve the operational efficiency of the Group.

The Group thoroughly analyzes receivables and payments of its activities and maturity of financial and commercial debt. In relation with the commercial credit risk, the Group evaluates the aging of the debt and constantly manages receivables.

Additionally, the group analyzes on a recurrent basis other financing sources to cover short and medium term liquidity needs. However, as of December 31, 2016, the Group still maintains a net bank debt level of EUR 1,486 million.

Minority interests -

There are significant minority interests in some cash generating companies, to highlight education and radio. Santillana is required to pay to its minority shareholders (25% of its share capital) a predetermined fixed preferred dividend.

Interest rates risk exposure-

Approximately 59.85% of its bank borrowings terms are at variable interest rates, and therefore the Group is exposed to fluctuations in interest rates. Currently the Group has no interest rate hedging arrangements.

Fluctuations in foreign exchange rates-

The Group is exposed to fluctuations in the exchange rates mainly in the financial investments in Latin American subsidiaries, and for the revenues and results from those investments.

In order to mitigate this risk, as far as there are available credit facilities, the Group arranges hedges to cover the risk of changes in exchange rates (mainly foreign currency hedges and forwards) on the basis of projections and budgets which are reviewed on a monthly basis, in order to reduce volatility in cash flows transferred to the Parent from foreign subsidiaries.

Tax risks-

Tax risks of the Group are related to a possible different interpretation of the rules that could make the competent tax authorities as well as to the changes in tax rules in the different countries in which the Group operates.

Directors consider probable the recoverability of the tax assets within the legal deadline, although there is a risk that the ability to generate taxable income would not be sufficient to allow the recoverability of the tax credits arising from carry forward of tax losses, the limitation of the deductibility of interest and depreciation expenses and tax deductions.

E.4 State whether the entity has a risk tolerance level, including for tax risks.

Prisa has defined the tolerable error regarding risks associated to the financial information. By reference to this tolerance level the company identifies the significant processes and accounts in the control over financial information system.

As far as other risks are concerned, the impact and probability of their occurrence is assessed in order to determine their relative position on the risk maps of the Group and the business units. This assessment is carried out by the Group's senior management.

E.5 State which risks, including tax risks, have materialized during the year.

In the 2016 financial year Prisa's activities and investments in Latin American were affected by the slowing down of the growth rate in some countries, as well as by the volatility in exchange rates, which negatively affected the Group's results in the region.

Regarding risks of tax nature, the taxes legal reform adopted in Spain during 2016 has limited the annual rate for the application of tax credits and deductions due to double taxations. It has also established the reversion of the impairment of participations that were deductible in the past. All this has negatively impacted the consolidated profit and loss account for financial year 2016. Additionally, during financial year 2016 Prisa has received a Supreme Court judgement confirming the Administration approach regarding the VAT regularization in the parent company. The impact of the reform of the Spanish taxes law and the VAT regularization on the Group's consolidated profit and loss account approximately amounted to EUR 85

million.

E.6 Explain the response and supervision plans for the entity's main risks, including tax risks.

In terms of exchange rate risk, to the extent that it has credit lines available, the Group, based on its forecasts and monthly budgets, adopts the practice of entering into currency hedges, forwards and options on currency. The main aim of this is to reduce cash flow volatility in the subsidiaries operating abroad.

Regarding risks of tax nature the Group monitors the changes of the tax regulation in the countries where it operates, and assesses the impacts of mentioned changes on both, operations and financial statements. Additionally, the Group counts on external tax advisors for the interpretation of the tax treatment of complex operations.

F. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS IN CONNECTION WITH THE FINANCIAL REPORTING PROCESS (ICFR)

Describe the mechanisms making up the control and risk management systems in connection with the financial reporting process (ICoFR) of your entity.

F.1 Entity control environment

Indicate the following, detailing at least their main features:

F.1.1. What bodies and/or functions are responsible for: (i) the existence and maintenance of an adequate and effective ICoFR; (ii) its implementation; and (iii) its supervision.

The company's approach regarding the internal control over financial reporting (hereinafter ICoFR), which was initially deployed according Internal Control Framework issued by COSO in 1992, was adapted during 2014 to the revised COSO Framework issued in 2013. In this regard, the Group will continue improving its ICFR system in conformity with this new Integrated Internal Control Framework.

The Board of Directors of Prisa , among other functions, as set out in Article 5.2 of Board Regulations, are responsible for the definition of the policy of control and risk management (included those related to the tax regulation) and for the monitoring of internal information and control systems. Also, in accordance with the provisions of the mentioned article of the Board Regulations, the financial information, that Prisa, as listed company, had the obligation to periodically make public, must be approved by the Board of Directors. In this regard, the Board of Directors is assisted, for the development of these functions, by the Audit Committee of Prisa. Among the basic responsibilities of the Audit Committee, as defined in the Board Regulations , are the monitoring of the effectiveness of Group's internal control and risk management systems, and the preparation and presentation of the regulated financial information, in particular the Financial Statements that the Board must provide quarterly and annually to the markets and their supervisory bodies.

The effective implementation of internal control model is the responsibility of the CEO and the CFO of Prisa, as well as the CEOs and CFOs of the Group's business units involved in the preparation of financial information which forms the basis for the preparation of Group's Financial Statements.

The monitoring of ICoFR, is performed both by the Audit Committee and the Board of Prisa, with the Internal Audit function support.

F.1.2. With particular reference to the process for preparing financial information, which of the following elements are in place:

•Departments and/or mechanisms responsible for: (i) design and review of the organizational structure; (ii) clearly defining lines of responsibility and authority, with an adequate distribution of tasks and duties; and (iii) ensuring there are adequate procedures for their correct dissemination within the entity.

The Direction of Organization and Human Resources, under the CEO, is responsible for the design, implementation, review and updating of the Group's organizational structure. The Group's business units have a distribution and definition of tasks and functions in the financial areas, which have job descriptions for key roles in these areas, as well as clearly defined lines of responsibility and authority in the preparation process of the financial reporting.

In addition, the Direction of Organization and Human Resources coordinates and monitors the internal procedures of the Group companies, and its degree of documentation, updating and circulation.

•Code of conduct: approval body, degree of communication and instruction, principles and values included (indicated whether specific mention is made of the recording of operations and the preparation of financial information), the body responsible for analyzing non-compliance and proposing corrective actions and sanctions.

Prisa Group has a Code of Ethics that sets out the principles and standards of conduct that should govern the companies in PRISA Group and all their employees, aimed at ensuring ethical and responsible behavior in the pursuit of their activities.

The PRISA Compliance Unit reports functionally and administratively to the Audit Committee and is the body charged with safeguarding and promoting ethical behavior of employees, associates and members of PRISA Group, and, therefore, amongst other functions, with overseeing their compliance with the Code of Ethics.

The Compliance Unit must report incidents relating to the Code of Ethics to the Corporate Governance Committee so that the latter can examine compliance with the Group's rules of governance.

The Compliance Unit promotes internal communication with officers and employees to ensure they know the compliance policy and obligations in this respect.

The Code of Ethics has been communicated and disseminated to all employees of the Group to whom it applies. Also, the PRISA Communication Department has implemented an internal and external communication plan for the Code, supervised by the PRISA Compliance Unit, and the associated training plan.

The Code of Ethics is posted on the corporate website (www.prisa.com) and in PRISA's global intranet (Toyoutome).

The Code of Ethics sets out a series of standards of conduct based on the following principles:

- i. Respect human rights and liberties.
- ii. Promotion of career development, equal opportunity, non-discrimination due to personal, physical or social conditions, and respect for persons.
- iii. Occupational safety and health.
- iv. Environmental protection.

Specifically, in relation to financial reporting, PRISA Group considers transparency in financial information as a basic principle that must govern its actions and, therefore, establishes rules of conduct aimed at ensuring that all information, be it internal information or the information reported to the markets, to the regulators of those markets or to government authorities, be truthful and complete and adequately reflects, amongst other aspects, its financial situation and the results of its operations, and be reported on a timely basis and in accordance with the applicable standards and general principles governing markets and their proper governance that PRISA Group has endorsed.

Rules of conduct are also established aimed to guarantee that all transactions are timely recorded in the Group's systems, in keeping with the principles of existence, completeness, clarity and accuracy in the Group's systems and financial statements, in accordance with the applicable accounting standards.

•Whistle-blowing channel for communicating irregularities of a financial and accounting nature to the Audit Committee, as well as any failures to comply with the code of conduct and irregular activities in the organization, indicating whether it is confidential in nature.

The Group has a Whistle-blowing mailbox for the reception and treatment of complaints regarding wrongdoings or breaches related to both, internal and external regulations, in matters affecting the Group, its employees or its activities.

This is a confidential and anonymous communication channel available to any employee in the Group intranet or alternatively through a post office box laid out for this purpose. The received complaints are currently managed by Prisa Compliance Unit, who reports them to the Audit Committee. Additionally, there is a confidential Whistle-blowing mailbox for third parties related to the Group and accessible through corporate website www.prisa.com.

•Training and regular updating programs for the personnel involved in the preparation and review of financial information, as well as assessment of the ICoFR, dealing at least with accounting standards, audit, internal control and risk management.

The financial officers responsible for reporting in the business units and significant companies in the Group periodically receive accounting standards update bulletins.

F.2 Assessment of financial reporting risks

Inform at least on the following:

F.2.1. What are the main features of the risks identification process? Include risks of error and fraud, indicating:

•Whether the process exists and is documented.

The system established in the Group for financial reporting risks identification and assessment is formally documented and updated at least once a year.

In the Group financial reporting risks assessment it is applied a top down approach based on the Group's significant risks. This approach starts with the identification of significant accounts and disclosures, assuming both quantitative and qualitative factors. The quantitative evaluation is based on the materiality of the account, and it is supplemented by qualitative analysis that determines the associated risk considering the characteristics of the transactions, the nature of the account, the accounting and reporting complexity, the probability of significant contingent liabilities to be generated resulting from transactions associated with the account, the

susceptibility to errors or fraud losses and the potential impact on financial reporting of the risks identified in business units, corporate risks maps and during performed Internal Audit reviews.

In order to perform a full risk assessment, this analysis is performed on each business unit, as they primarily generate financial information that serves as the basis for preparing consolidated financial statements of the Group.

For each business unit, the most relevant accounts are identified, based on mentioned risk analysis. After identifying significant accounts and disclosures at the consolidated level and in each business unit, we proceed to identify the relevant processes associated with them, and the main kind of transactions within each process. The objective is to document how key relevant processes transactions are initiated, authorized, recorded, processed and reported.

•Whether the process covers all of the objectives of the financial information (existence and occurrence; integrity; evaluation; presentation, breakdown and comparability; and rights and obligations), whether it is updated, and with what frequency.

For each account the controls are analyzed in order to cover the assertions to ensure the reliability of financial reporting, i.e. that recorded transactions have occurred and pertain to that account (existence and occurrence) , transactions and assets are registered in the correct amount (assessment / measurement), the assets, liabilities and transactions of the Group are properly disclosed, categorized and described (presentation and disclosure) and there are no assets, liabilities, and significant transactions not recorded (completeness). Complementary to risks update, the Group annually performs a review of controls that mitigate identified risks.

•Whether there is a process for identification of scope of consolidation, taking into account among other aspects the possible existence of complex corporate structures, holding companies or special purpose vehicles.

Among the significant processes it is considered the determination of the scope of consolidation of the Group, which is conducted monthly by the Consolidation department, set in the Corporate Finance Department, in collaboration with legal advisory department, who regularly reports the corporate transactions and subscribed shareholder agreements.

•Whether the process takes into account the impacts of other types of risk (operating, technology, financial, legal, reputational, environmental, etc.) insofar as these affect the financial statements.

Risk assessment process takes into account the risk profile of each business unit, which is determined by their contribution to the consolidated financial statements, and assessing the specific risks, among other factors, the nature of their activities, centralization or decentralization of operations, specific industry and environmental risks, to the extent they may have potential impact in financial statements.

•Which governing body of the entity supervises the process.

The system is monitored, as mentioned above, by the Audit Committee and, ultimately, by the Board of Directors.

F.3 Control activities

Provide information on whether at least the following exist, indicating their main features:

F.3.1. Procedures for reviewing and authorizing financial information and description of the ICoFR, to be published on the stock markets, indicating those responsible, as well as documentation describing flows of activities and controls (including those relating to risk of fraud) of different transaction types that may significantly affect the financial statements, including the procedure for the accounting close and the specific review of judgements, estimates, assessments and relevant forecasts.

The Group has documentation describing flows of activities and process controls identified as significant in each business unit and at corporate level. Based on this description the key risks and mitigating controls are identified. The documentation of control activities is supported on risk and control matrixes by process. In these matrixes the activities are classified by their nature as preventive or detective, and based on the degree of mitigation of associated risks, as key or standard.

In each significant business unit there is a documented process describing the accounting close as well as specific processes and controls concerning relevant judgments and estimates, according to the nature of the activities and risks associated to each business unit.

In relation to the financial reporting review and approval process, a phased certification process is developed on the effectiveness of internal control model over financial reporting. The CEOs and CFOs in the business units and companies that are considered significant, confirm in writing the effectiveness of defined controls for their critical processes as well as their financial information reliability. Also, in relation to this process, as mentioned above, there are procedures for the financial information disclosed to the stock markets review and approval by the governing bodies.

F.3.2. Internal control policies and procedures for information systems (inter alia, for secure access, controls over modification and operation, continuity of operations and segregation of duties) that support the relevant processes of the entity in connection to the development and publishing of financial information.

As for the controls on the systems or applications which are relevant in relation to the developing of financial information, these are intended to maintain the integrity of systems and data and ensure its operation over time.

The controls considered on information systems are essentially access control, segregation of duties, systems operations and development or modification of computer applications. The Group annually reviews and evaluates the controls and procedures associated with the main applications implied in financial reporting processes.

F.3.3. Internal control policies and procedures for supervising the management of activities outsourced to third parties, as well as those aspects of assessments, calculations or valuations that are entrusted to independent experts, which may have a material effect on the financial statements.

In relation to subcontracted activities, the main outsourced activity in the Group is information technologies service, entrusted to Indra. The Group has established a model of government based on regularly holding several meetings and committees in order to monitor the outsourced services.

F.4 Information and communication

Provide information on whether at least the following exist, indicating their main features:

F.4.1. A specific function tasked with defining and updating accounting policies (accounting policy area or department) and resolving any queries or disputes arising as a result of their interpretation, maintaining a fluent dialog with the people responsible for operations in the organization, as well as an up-to-date accounting policies manual that is communicated to the units through which the entity operates.

The organization has an accounting manual founded on the International Financial Reporting Standards applicable to the Group's businesses, developed by the Internal Audit Department, and annually updated and communicated to the different business units. There are also specific accounting policies developed for some Group businesses providing simplified accounting treatment to correctly reflect their activities. Furthermore, Internal Audit Department periodically issues accounting newsletters that show the latest changes of international accounting standards in those aspects that could affect Group entities' financial statements.

F.4.2. Mechanisms for gathering and preparing the financial information using standard formats, applied and used by all the units in the entity or the group, which support the main financial statements and disclosures, as well as the information given on the ICoFR.

Prisa counts on an unified and adapted chart of accounts applicable to all the Group companies that manage financial information within Group SAP software. Likewise, there is a single and homogeneous format of documentation for the financial reporting of Group business units which supports the financial statements, notes and disclosures included in regulated financial information.

F.5 Supervision of system effectiveness

Provide information on at least the following, indicating their main features:

F.5.1. Supervisory activities on the ICoFR carried out by the Audit Committee, as well as whether the entity has an internal audit function that includes among its competencies supporting the committee in the task of supervising the internal control system, including the ICoFR. Furthermore, information must be provided on: the scope of the evaluation of the ICoFR carried out during the year and on the reporting procedure followed by the person in charge of conducting the evaluation; whether the entity has an action plan detailing possible corrective measures; and whether its impact on the financial information has been considered.

As part of the monitoring activities on the internal control system carried out by the Audit Committee, in accordance to current Regulation, the following are included in connection with the preparation and publishing of the financial information:

- i. Monitor the effectiveness of the Company's internal control, and risk management system, included those related to tax regulation, and discuss with the external auditor the significant weaknesses in internal control system identified during the course of the audit.
- ii. Monitor the process of preparation and presentation of the perceptive financial information.
- iii. Inform in advance to the Board of Directors regarding all the subjects defined in the law, the corporate statutes and the Board Regulations, and in particular about:
 - o The financial information that the entity must periodically publish
 - o The creation or acquisition of shares on special purpose vehicles or companies registered in countries or territories considered as tax haven.
 - o Related parties operations.

The Group has an internal audit unit, which supports the Group Audit Committee in monitoring internal control system over financial reporting. The Internal Audit Direction depends functionally on the Audit Committee and hierarchically on the Chairman of the Group.

The main objective of internal audit is to provide the Group management and the Audit Committee with reasonable assurance on the environment and internal control systems operating within the Group companies having been properly managed. For this purpose, internal audit reviews the design and scope of the Group's internal control system over financial reporting, and subsequently carries out the evaluation of the design and effectiveness of the control activities defined in the model. Annually the functioning of the general controls of the Group as well as controls related to the information systems and the key control activities in the ICoFR are tested.

For each of the identified weaknesses, an estimation is done on the economic impact and probability of occurrence, classifying them according to this estimation. Also, for all the identified weaknesses a plan of action is defined in order to correct or mitigate the risk, including a responsible for the management and an implementation schedule.

The Internal Audit Direction reports annually to the Audit Committee on the results of the evaluation of the ICoFR and regularly informs on the evolution of the established action plans.

F.5.2. Whether any discussion procedure is in place whereby the auditor (in accordance with the provisions of the Technical Auditing Rules), the internal audit function and other experts may notify senior management and the Audit Committee or directors any significant internal control weaknesses identified during the processes of reviewing the financial statements and in any other processes that may have been entrusted to them. Information must also be provided on whether it has an action plan that seeks to correct or mitigate the weaknesses identified.

The significant deficiencies and material weaknesses that would have been revealed as a result of the internal audit's assessment of the of internal control system over financial reporting, are reported to both the Audit Committee and the external auditor. Internal Audit prepares an annual report on the evaluation of the internal control system over the Group's financial information in which it is detailed for each weakness identified, a defined action plan or the mitigating controls, and those responsible for its implementation.

Additionally, ultimately, the internal control system is audited by the statutory auditor of the Group, who reports to the Audit Committee on the significant and material weaknesses identified and gives opinion on the effectiveness of internal control over financial reporting during the year.

F.6 Other relevant information

None

F.7 External auditor's report

Provide information on:

F.7.1. Whether the information on the ICoFR sent to the markets has been reviewed by the external auditor, in which case the entity should include the provided report as an annex. If that is not the case, reasons should be reported.

The system of internal control over financial reporting is audited by the statutory auditor of the Group that gives opinion on the effectiveness of internal control within a specific report.

G. DEGREE OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS.

Indicate the company's degree of compliance with the recommendations of the Unified Code of Corporate Governance.

If any recommendations are not followed or are only followed in part, a detailed explanation must be provided as to why that is the case so that shareholders, investors and the market in general has sufficient information to be able to assess the conduct of the company. General explanations will not be acceptable.

1. The bylaws of listed companies should not place an upper limit on the votes that can be cast by a single shareholder, or impose other obstacles to the takeover of the company by means of share purchases on the market.

Compliant

2. When a dominant and a subsidiary company are both listed, they two should provide detailed disclosure on:

a) The activity they engage in and any business dealings between them, as well as between the listed subsidiary and other group companies.

b) The mechanisms in place to resolve possible conflicts of interest.

Does not apply

3. During the annual general meeting the chairman of the board should verbally inform shareholders in sufficient detail of the most relevant aspects of the company's corporate governance, supplementing the written information circulated in the annual corporate governance report. In particular:

a) Changes taking place since the previous annual general meeting.

b) The specific reasons for the company not following a given Good Governance Code recommendation, and any alternative procedures followed in its stead.

Partially compliant

At the shareholders' meeting held last April, the Chairman informed the shareholders of the major developments in corporate governance since the previous shareholders' meeting, but he didn't give details of the specific reasons by which the Company did not follow certain recommendations, considering that the Annual Corporate Governance Report (which is available to the shareholders on the occasion of the call to the shareholders' meeting) contains an adequate and reasoned explanation of those grounds. The Chairman's speech at the shareholders' meeting is short and cannot deal with these details as it could be tedious.

4. The company should draw up and implement a policy of communication and contacts with shareholders, institutional investors and proxy advisors that complies in full with market abuse regulations and accords equitable treatment to shareholders in the same position.

This policy should be disclosed on the company's website, complete with details of how it has been put into practice and the identities of the relevant interlocutors or those charged with its implementation.

Compliant

5. The board of directors should not make a proposal to the general meeting for the delegation of powers to issue shares or convertible securities without pre-emptive subscription rights for an amount exceeding 20% of capital at the time of such delegation.

When a board approves the issuance of shares or convertible securities without pre-emptive subscription rights, the company should immediately post a report on its website explaining the exclusion as envisaged in company legislation.

Explain:

At the annual general meeting of shareholders held in April 2015 it was resolved to authorize the Board to carry out one or more increases in the share capital by up to a maximum of half the share capital, and issue bonds, including straight bonds or bonds convertible into new shares and/or exchangeable for outstanding shares of the Company and other companies, warrants, commercial paper and preferred securities, including the authority to disapply pre-emption rights.

As noted in the reports the Board of Directors drew up explaining said proposed resolutions, the funding volume that Prisa needs to carry out investments and/or go through with the current process of restructuring its liabilities requires being able to access as many funding sources as are available in the market, using at all times the ones that are best suited to the Company. Recourse to debt markets is on occasion subject to temporary limitations arising from economic policy measures that at given times may curb or halt growth in monetary and credit variables and from the evolution of financial markets. For this reason, it is also advisable for Prisa to have open, via its Board of Directors, the possibility of carrying out capital increases when market conditions make such operations advisable.

The dynamics of all business corporations, especially large ones, require that their management and governing bodies can at all times make use of the most suitable instruments to adequately meet the needs of the Company in each specific case, in view of the market circumstances. Those circumstances can include the possibility of injecting funds into the company in the form of capital contributions.

In addition, as allowed under the Corporations Law, the Board was also given powers to exclude the pre-emption right in share issues carried out under the aforesaid authorizations, where the Company's interests so warrant. The Board of Directors believes that this additional possibility, which notably widens the capacity and freedom of action that is afforded by the simple delegation of powers to increase the share capital, is justified by the flexibility and agility commonly needed when acting in today's financial markets to be able to take advantage of moments when market conditions are more favorable. In addition, exclusion of the pre-emption right usually allows a reduction of the costs associated with the operation (including, most especially, the fees charged by the financial institutions that take part in the issue) in comparison with an issue subject to pre-emption rights, and at the same time causes less distortion in the stock's trading during the issue period, which is usually shorter than in an issue with pre-emption rights. Exclusion of those rights may also be necessary when seeking to raise funds in international markets or using bookbuilding techniques.

This was borne out in 2014 when the Company used an authorization approved by the 2013 annual general meeting to raise funds on very favorable conditions given the state of financial markets at that time and to

consequently reduce its debt, improve its financial gearing ratio and better comply with its refinancing plan. It is difficult to ascertain whether that funding could have been obtained if the Company did not have that authorization.

Furthermore, the authorization granted by the 2015 general meeting was also used by the Board of Directors to approve a capital increase in November 2015.

Notwithstanding the foregoing, the exclusion of preferential subscription rights, in whole or in part, is only a faculty that the General Meeting grants the Board and the exercise of which depend on whether the Board of Directors so decides when deemed appropriate in the best interests of the Company, regarding the circumstances existing in each case and in compliance with the legal requirements.

With respect to the second part of this recommendation, the Company has published the reports explaining the exclusion of the pre-emption rights at the time there was called the Ordinary Shareholders Meeting to which the related proposed resolutions were to be submitted. Afterwards, in relation to the capital increases carried out in 2014 and in November 2015, the rest of the reports envisaged in the Corporations Law were made available to the shareholders and communicated at the first General Meeting held after the resolutions on the increases (the April 2015 and April 2016 meetings, respectively).

In any event, the Board of Directors has made prudent use of the aforementioned delegation, acting in the Company's interests at all times and applying significant issue premiums to the quoted price of the shares at the time of their subscription.

6. Listed companies drawing up the following reports on a voluntary or compulsory basis should publish them on their website well in advance of the annual general meeting, even if their distribution is not obligatory:

a) Report on auditor independence.

b) Reviews of the operation of the audit committee and the nomination and remuneration committee.

c) Audit committee report on third-party transactions.

d) Report on corporate social responsibility policy.

Compliant

7. The company should broadcast its general meetings live on the corporate website.

Compliant

8. The audit committee should strive to ensure that the board of directors can present the company's accounts to the general meeting without limitations or qualifications in the auditor's report. In the exceptional case that qualifications exist, both the chairman of the audit committee and the auditors should give a clear account to shareholders of their scope and content.

Compliant

9. The company should disclose its conditions and procedures for admitting share ownership, the right to attend general meetings and the exercise or delegation of voting rights, and display them permanently on its website.

Such conditions and procedures should encourage shareholders to attend and exercise their rights and be applied in a non-discriminatory manner.

Compliant

10. When an accredited shareholder exercises the right to supplement the agenda or submit new proposals prior to the general meeting, the company should:

- a) Immediately circulate the supplementary items and new proposals.**
- b) Disclose the model of attendance card or proxy appointment or remote voting form duly modified so that new agenda items and alternative proposals can be voted on in the same terms as those submitted by the board of directors.**
- c) Put all these items or alternative proposals to the vote applying the same voting rules as for those submitted by the board of directors, with particular regard to presumptions or deductions about the direction of votes.**
- d) After the general meeting, disclose the breakdown of votes on such supplementary items or alternative proposals.**

Does not apply

11. In the event that a company plans to pay for attendance at the general meeting, it should first establish a general, long-term policy in this respect.

Does not apply

12. The board of directors should perform its duties with unity of purpose and independent judgement, according the same treatment to all shareholders in the same position. It should be guided at all times by the company's best interest, understood as the creation of a profitable business that promotes its sustainable success over time, while maximising its economic value.

Compliant

13. The board of directors should have an optimal size to promote its efficient functioning and maximise participation. The recommended range is accordingly between five and fifteen members.

Explain:

To meet the new needs and circumstances of the Company, the Ordinary Shareholders' Meeting held on April 1, 2016, addressed a restructuring of the Board of Directors and resolved to set the number of directors at 17, which is the number of members that currently has the Board.

Prior to the aforementioned restructuring the Board of Directors analyzed its needs, and taking into account: (i) the number of executive directors it had, (ii) the new shareholding structure of the Company that should have adequate representation on the Board and (iii) the diversity of the activities of its business group and its international character, concluded that in order to be in a position to appropriately exercise its function of supervision and control, it was appropriate to propose to the Shareholders Meeting an increase in the number of directors as well as the appointment of new directors with capacities and competence in, inter alia, the following areas:

- a) knowledge of the sectors in which the Company and its group of companies operate (that is, education, radio, the press and audio-visual);
- b) experience and knowledge in economic and financial matters and in digital development;
- c) international experience; and
- d) experience and expertise in management, leadership and business strategy.

The purpose was to achieve an appropriate balance on the Board of Directors as a whole, for which professionals with high qualification and personal and professional integrity were appointed as directors, favoring diversity of knowledge, experience, background and gender on the Board of Directors.

The restructuring of the Board of Directors addressed in the Shareholders' Meeting of April 2016, allowed the presence of proprietary directors appointed on the proposal of the principal shareholders of the Company, this being essential in order to align the decisions of the Board of Directors with the interests of the shareholders, taking into account the diversified capital structure of the Company but that also concentrates a high percentage of the share capital in the hands of shareholders owning an important participation in the Company. It also contributed to the maintenance of a high percentage of independent directors in line with the current recommendations regarding corporate governance, both domestic and international.

Finally, the restructuring of the Board of Directors has resulted in a balanced, independent and experienced Board, with understanding of the Company and with a balanced representation of the interests of both the minority and majority shareholders.

All of the above is duly explained in the report that, in compliance with the provisions of article 529 of the Capital Companies Act, the Board of Directors made available to the shareholders when calling the Ordinary Shareholders Meeting of April 2016, and which is posted on the website of the Company (www.prisa.com).

14. The board of directors should approve a director selection policy that:

- a) Is concrete and verifiable;**
- b) Ensures that appointment or re-election proposals are based on a prior analysis of the board's needs.**
- c) Favours a diversity of knowledge, experience and gender.**

The results of the prior analysis of board needs should be written up in the nomination committee's explanatory report, to be published when the general meeting is convened that will ratify the appointment and re-election of each director.

The director selection policy should pursue the goal of having at least 30% of total board places occupied by women directors before the year 2020.

The nomination committee should run an annual check on compliance with the director

selection policy and set out its findings in the annual corporate governance report.

Compliant

15. Proprietary and independent directors should constitute an ample majority on the board of directors, while the number of executive directors should be the minimum practical bearing in mind the complexity of the corporate group and the ownership interests they control.

Compliant

16. The percentage of proprietary directors out of all non-executive directors should be no greater than the proportion between the ownership stake of the shareholders they represent and the remainder of the company's capital.

This criterion can be relaxed:

- a) In large cap companies where few or no equity stakes attain the legal threshold for significant shareholdings.**
- b) In companies with a plurality of shareholders represented on the board but not otherwise related.**

Compliant

17. Independent directors should be at least half of all board members.

However, when the company does not have a large market capitalisation, or when a large cap company has shareholders individually or concertedly controlling over 30 percent of capital, independent directors should occupy, at least, a third of board places.

Compliant

18. Companies should disclose the following director particulars on their websites and keep them regularly updated:

- a) Background and professional experience.**
- b) Directorships held in other companies, listed or otherwise, and other paid activities they engage in, of whatever nature.**
- c) Statement of the director class to which they belong, in the case of proprietary directors indicating the shareholder they represent or have links with.**
- d) Dates of their first appointment as a board member and subsequent re-elections.**
- e) Shares held in the company, and any options on the same.**

Compliant

19. Following verification by the nomination committee, the annual corporate governance report should disclose the reasons for the appointment of proprietary directors at the urging of shareholders controlling less than 3 percent of capital; and explain any rejection of a formal request for a board place from shareholders whose equity stake is equal to or greater than that of others applying successfully for a proprietary directorship.

Does not apply

20. Proprietary directors should resign when the shareholders they represent dispose of their ownership interest in its entirety. If such shareholders reduce their stakes, thereby losing some of their entitlement to proprietary directors, the latter's number should be reduced accordingly.

Compliant

21. The board of directors should not propose the removal of independent directors before the expiry of their tenure as mandated by the bylaws, except where they find just cause, based on a proposal from the nomination committee. In particular, just cause will be presumed when directors take up new posts or responsibilities that prevent them allocating sufficient time to the work of a board member, or are in breach of their fiduciary duties or come under one of the disqualifying grounds for classification as independent enumerated in the applicable legislation.

The removal of independent directors may also be proposed when a takeover bid, merger or similar corporate transaction alters the company's capital structure, provided the changes in board membership ensue from the proportionality criterion set out in recommendation 16.

Compliant

22. Companies should establish rules obliging directors to disclose any circumstance that might harm the organisation's name or reputation, tendering their resignation as the case may be, and, in particular, to inform the board of any criminal charges brought against them and the progress of any subsequent trial.

The moment a director is indicted or tried for any of the offences stated in company legislation, the board of directors should open an investigation and, in light of the particular circumstances, decide whether or not he or she should be called on to resign. The board should give a reasoned account of all such determinations in the annual corporate governance report.

Compliant

23. Directors should express their clear opposition when they feel a proposal submitted for the board's approval might damage the corporate interest. In particular, independents and other directors not subject to potential conflicts of interest should strenuously challenge any decision that could harm the interests of shareholders lacking board representation.

When the board makes material or reiterated decisions about which a director has expressed serious reservations, then he or she must draw the pertinent conclusions. Directors resigning for such causes should set out their reasons in the letter referred to in the next recommendation.

The terms of this recommendation also apply to the secretary of the board, even if he or she is not a director.

Compliant

24. Directors who give up their place before their tenure expires, through resignation or otherwise, should state their reasons in a letter to be sent to all members of the board. Whether or not such resignation is disclosed as a material event, the motivating factors should be explained in the annual corporate governance report.

Compliant

25. The nomination committee should ensure that non-executive directors have sufficient time available to discharge their responsibilities effectively.

The board of directors regulations should lay down the maximum number of company boards on which directors can serve.

Compliant

26. The board should meet with the necessary frequency to properly perform its functions, eight times a year at least, in accordance with a calendar and agendas set at the start of the year, to which each director may propose the addition of initially unscheduled items.

Compliant

27. Director absences should be kept to a strict minimum and quantified in the annual corporate governance report. In the event of absence, directors should delegate their powers of representation with the appropriate instructions.

Partially compliant

Directors try to personally attend the meetings and, preferentially, in person. However, if the attendance is impossible, the Director grants a proxy to another director. In this sense, the representations of the directors not always give concrete instructions, so that the representative can vote in accordance with the conclusions drawn from the debate that take place in the Board.

Notwithstanding the foregoing, the Company will bear this recommendation in mind and ensure that henceforth directors who do not attend board meetings will delegate their representation with the appropriate instructions in the appropriate terms.

28. When directors or the secretary express concerns about some proposal or, in the case of directors, about the company's performance, and such concerns are not resolved at the meeting, they should be recorded in the minute book if the person expressing them so requests.

Compliant

29. The company should provide suitable channels for directors to obtain the advice they need to carry out their duties, extending if necessary to external assistance at the company's expense.

Compliant

30. Regardless of the knowledge directors must possess to carry out their duties, they should also be offered refresher programmes when circumstances so advise.

Compliant

31. The agendas of board meetings should clearly indicate on which points directors must arrive at a decision, so they can study the matter beforehand or gather together the material they need.

For reasons of urgency, the chairman may wish to present decisions or resolutions for board approval that were not on the meeting agenda. In such exceptional circumstances, their inclusion will require the express prior consent, duly minuted, of the majority of directors present.

Compliant

32. Directors should be regularly informed of movements in share ownership and of the views of major shareholders, investors and rating agencies on the company and its group.

Compliant

33. The chairman, as the person charged with the efficient functioning of the board of directors, in addition to the functions assigned by law and the company's bylaws, should prepare and submit to the board a schedule of meeting dates and agendas; organise and coordinate regular evaluations of the board and, where appropriate, the company's chief executive officer; exercise leadership of the board and be accountable for its proper functioning; ensure that sufficient time is given to the discussion of strategic issues, and approve and review refresher courses for each director, when circumstances so advise.

Compliant

34. When a lead independent director has been appointed, the bylaws or board of directors regulations should grant him or her the following powers over and above those conferred by law: chair the board of directors in the absence of the chairman or vice chairmen give voice to the concerns of non-executive directors; maintain contacts with investors and shareholders to hear their views and develop a balanced understanding of their concerns, especially those to do with the company's corporate governance; and coordinate the chairman's succession plan.

Partially compliant

The Board of Directors Regulation expressly grant the lead independent director: i) all of the powers envisaged in the Corporations Law and ii) the powers envisaged in this recommendation except for the one to "maintain contacts with investors and shareholders to hear their views and develop a balanced understanding of their concerns", as this power has been allocated to the Investor Relations Department and the Shareholder Office of the Company, responsible for handling inquiries and questions from shareholders and institutional investors of the Company (provided that the corporate interests prevail and respecting the law and the rules of corporate governance of the Company), as stated in the Policy of Communication and contacts with shareholders, institutional investors and proxy advisors approved by the Board of Directors of the Company on 18 December 2015 and published on the corporate website.

35. The board secretary should strive to ensure that the board's actions and decisions are informed by the governance recommendations of the Good Governance Code of relevance to the company.

Compliant

36. The board in full should conduct an annual evaluation, adopting, where necessary, an action plan to correct weakness detected in:

- a) The quality and efficiency of the board's operation.**
- b) The performance and membership of its committees.**
- c) The diversity of board membership and competences.**
- d) The performance of the chairman of the board of directors and the company's chief executive.**
- e) The performance and contribution of individual directors, with particular attention to the chairmen of board committees.**

The evaluation of board committees should start from the reports they send the board of directors, while that of the board itself should start from the report of the nomination committee.

Every three years, the board of directors should engage an external facilitator to aid in the evaluation process. This facilitator's independence should be verified by the nomination committee.

Any business dealings that the facilitator or members of its corporate group maintain with the company or members of its corporate group should be detailed in the annual corporate governance report.

The process followed and areas evaluated should be detailed in the annual corporate governance report.

Partially compliant:

The Board of Directors carries out the evaluation required under this recommendation, except for the evaluation of performance and contribution of each director, as it is considered sufficient a global assessment of the Board as a body.

Furthermore, the Company has a Corporate Governance Committee that is the body with powers to prepare a report for the evaluation of the Board and its Committees.

In addition the Company does not consider necessary to engage an external facilitator to carry out the evaluation process, because, as noted, the Corporate Governance Committee is responsible for coordinating and managing this process.

37. When an executive committee exists, its membership mix by director class should resemble that of the board. The secretary of the board should also act as secretary to the executive committee.

Partially compliant:

The Secretary of the Board of Directors also acts as secretary to the Delegated Committee.

The composition of the Delegated Committee, however, does not resemble that of the Board of Directors in the sense that:

- i) In the Delegated Committee there is a predominance of executive directors (3 of the members) and, in addition, there are 1 proprietary director, 2 independents and other external director.
- ii) The Board of Directors is composed of 3 executive directors, 4 proprietary directors, 9 independent directors and by one external director.

While the structure of the Board of Directors is not proportionally equal to that of the Delegated Commission, it must be taken into account that all categories of directors are represented on the Delegated Commission and that one of the executive directors (Mr Manuel Polanco Moreno) has also the status of proprietary director.

The Company has the opinion that this composition of the Delegated Committee is appropriate and

operationally effective in accordance with the needs of the Company and the functions of the Delegated Commission.

38. The board should be kept fully informed of the business transacted and decisions made by the executive committee. To this end, all board members should receive a copy of the committee's minutes.

Compliant

39. All members of the audit committee, particularly its chairman, should be appointed with regard to their knowledge and experience in accounting, auditing and risk management matters. A majority of committee places should be held by independent directors.

Compliant

40. Listed companies should have a unit in charge of the internal audit function, under the supervision of the audit committee, to monitor the effectiveness of reporting and control systems. This unit should report functionally to the board's non-executive chairman or the chairman of the audit committee.

Compliant

41. The head of the unit handling the internal audit function should present an annual work programme to the audit committee, inform it directly of any incidents arising during its implementation and submit an activities report at the end of each year.

Compliant

42. The audit committee should have the following functions over and above those legally assigned:

1. With respect to internal control and reporting systems:

a) Monitor the preparation and the integrity of the financial information prepared on the company and, where appropriate, the group, checking for compliance with legal provisions, the accurate demarcation of the consolidation perimeter, and the correct application of accounting principles.

b) Monitor the independence of the unit handling the internal audit function; propose the selection, appointment, re-election and removal of the head of the internal audit service; propose the service's budget; approve its priorities and work programmes, ensuring that it focuses primarily on the main risks the company is exposed to; receive

regular report-backs on its activities; and verify that senior management are acting on the findings and recommendations of its reports.

c) Establish and supervise a mechanism whereby staff can report, confidentially and, if appropriate and feasible, anonymously, any significant irregularities that they detect in the course of their duties, in particular financial or accounting irregularities.

2. With regard to the external auditor:

a) Investigate the issues giving rise to the resignation of the external auditor, should this come about.

b) Ensure that the remuneration of the external auditor does not compromise its quality or independence.

c) Ensure that the company notifies any change of external auditor to the CNMV as a material event, accompanied by a statement of any disagreements arising with the outgoing auditor and the reasons for the same.

d) Ensure that the external auditor has a yearly meeting with the board in full to inform it of the work undertaken and developments in the company's risk and accounting positions.

e) Ensure that the company and the external auditor adhere to current regulations on the provision of non-audit services, limits on the concentration of the auditor's business and other requirements concerning auditor independence.

Compliant

43. The audit committee should be empowered to meet with any company employee or manager, even ordering their appearance without the presence of another senior officer.

Compliant

44. The audit committee should be informed of any fundamental changes or corporate transactions the company is planning, so the committee can analyse the operation and report to the board beforehand on its economic conditions and accounting impact and, when applicable, the exchange ratio proposed.

Compliant

45. Risk control and management policy should identify at least:

a) The different types of financial and non-financial risk the company is exposed to (including operational, technological, financial, legal, social, environmental, political

and reputational risks), with the inclusion under financial or economic risks of contingent liabilities and other off-balance-sheet risks.

- b) The determination of the risk level the company sees as acceptable.**
- c) The measures in place to mitigate the impact of identified risk events should they occur.**
- d) The internal control and reporting systems to be used to control and manage the above risks, including contingent liabilities and off-balance-sheet risks.**

Compliant

46. Companies should establish a risk control and management function in the charge of one of the company's internal department or units and under the direct supervision of the audit committee or some other dedicated board committee. This function should be expressly charged with the following responsibilities:

- a) Ensure that risk control and management systems are functioning correctly and, specifically, that major risks the company is exposed to are correctly identified, managed and quantified.**
- b) Participate actively in the preparation of risk strategies and in key decisions about their management.**
- c) Ensure that risk control and management systems are mitigating risks effectively in the frame of the policy drawn up by the board of directors.**

Compliant

47. Appointees to the nomination and remuneration committee – or of the nomination committee and remuneration committee, if separately constituted – should have the right balance of knowledge, skills and experience for the functions they are called on to discharge. The majority of their members should be independent directors.

Partially compliant:

The Nominations and Compensation Committee is composed of 2 independent directors, 1 proprietary director and other external director (Mr Gregorio Marañón y Bertrán de Lis). This composition of the Board is due to the following reasons:

- i) membership of proprietary directors on this committee is considered essential and,
- ii) membership of Mr Gregorio Marañón on this Committee is considered very important due to the expertise of this director, who chaired the Nomination and Compensation Committee for 16 years (until April of this year).

Nevertheless, all members of this committee, regardless of their category, have the right balance of knowledge, skills and experience for the functions they are called on to discharge.

48. Large cap companies should operate separately constituted nomination and remuneration committees.

Does not apply

49. The nomination committee should consult with the company's chairman and chief executive, especially on matters relating to executive directors.

When there are vacancies on the board, any director may approach the nomination committee to propose candidates that it might consider suitable.

Compliant

50. The remuneration committee should operate independently and have the following functions in addition to those assigned by law:

- a) Propose to the board the standard conditions for senior officer contracts.**
- b) Monitor compliance with the remuneration policy set by the company.**
- c) Periodically review the remuneration policy for directors and senior officers, including share-based remuneration systems and their application, and ensure that their individual compensation is proportionate to the amounts paid to other directors and senior officers in the company.**
- d) Ensure that conflicts of interest do not undermine the independence of any external advice the committee engages.**
- e) Verify the information on director and senior officers' pay contained in corporate documents, including the annual directors' remuneration statement.**

Compliant

51. The remuneration committee should consult with the company's chairman and chief executive, especially on matters relating to executive directors and senior officers.

Compliant

52. The terms of reference of supervision and control committees should be set out in the board of directors regulations and aligned with those governing legally mandatory board committees as specified in the preceding sets of recommendations. They should include at least the following terms:

a) Committees should be formed exclusively by non-executive directors, with a majority of independents.

b) They should be chaired by independent directors.

c) The board should appoint the members of such committees with regard to the knowledge, skills and experience of its directors and each committee's terms of reference; discuss their proposals and reports; and provide report-backs on their activities and work at the first board plenary following each committee meeting.

d) They may engage external advice, when they feel it necessary for the discharge of their functions.

e) Meeting proceedings should be minuted and a copy made available to all board members.

Partially compliant

The rules set out in paragraphs b), d) e) are fully included in the Board of Directors Regulation of the Company. The Regulation also expressly stated that the Chairmen of the Committees must provide report-backs on their activities and work at the first board plenary following each committee meeting.

Furthermore, it is expressly stated that the Committees are exclusively composed of non-executive directors (except in relation to Technological Transformation Committee).

It is not explicitly stated in the Regulation, however, that these committees should be formed by a majority of independent directors (even if that it is a fact in the Audit Committee and the Corporate Governance Committee), or that the board appoint the members of these committees taking into knowledge, skills and experience of the directors and the duties of each committee, and discusses its proposals and reports, although this is done in practice.

53. The task of supervising compliance with corporate governance rules, internal codes of conduct and corporate social responsibility policy should be assigned to one board committee or split between several, which could be the audit committee, the nomination committee, the corporate social responsibility committee, where one exists, or a dedicated committee established ad hoc by the board under its powers of self-organization, with at the least the following functions:

a) Monitor compliance with the company's internal codes of conduct and corporate governance rules.

b) Oversee the communication and relations strategy with shareholders and investors, including small and medium-sized shareholders.

c) Periodically evaluate the effectiveness of the company's corporate governance system, to confirm that it is fulfilling its mission to promote the corporate interest and catering, as appropriate, to the legitimate interests of remaining stakeholders.

d) Review the company's corporate social responsibility policy, ensuring that it is geared to value creation.

e) Monitor corporate social responsibility strategy and practices and assess compliance in their respect.

f) Monitor and evaluate the company's interaction with its stakeholder groups.

g) Evaluate all aspects of the non-financial risks the company is exposed to, including operational, technological, legal, social, environmental, political and reputational risks.

h) Coordinate non-financial and diversity reporting processes in accordance with applicable legislation and international benchmarks.

Compliant

54. The corporate social responsibility policy should state the principles or commitments the company will voluntarily adhere to in its dealings with stakeholder groups, specifying at least:

a) The goals of its corporate social responsibility policy and the support instruments to be deployed.

b) The corporate strategy with regard to sustainability, the environment and social issues.

c) Concrete practices in matters relative to: shareholders, employees, clients, suppliers, social welfare issues, the environment, diversity, fiscal responsibility, respect for human rights and the prevention of illegal conducts.

d) The methods or systems for monitoring the results of the practices referred to above, and identifying and managing related risks.

e) The mechanisms for supervising non-financial risk, ethics and business conduct.

f) Channels for stakeholder communication, participation and dialogue.

g) Responsible communication practices that prevent the manipulation of information and protect the company's honour and integrity.

Compliant

55. The company should report on corporate social responsibility developments in its directors' report or in a separate document, using an internationally accepted methodology.

Compliant

56. Director remuneration should be sufficient to attract individuals with the desired profile and compensate the commitment, abilities and responsibility that the post demands, but not so high as to compromise the independent judgement of non-executive directors.

Compliant

57. Variable remuneration linked to the company and the director's performance, the award of shares, options or any other right to acquire shares or to be remunerated on the basis of share price movements, and membership of long-term savings schemes such as pension plans should be confined to executive directors.

The company may consider the share-based remuneration of non-executive directors provided they retain such shares until the end of their mandate. This condition, however, will not apply to shares that the director must dispose of to defray costs related to their acquisition.

Compliant

58. In the case of variable awards, remuneration policies should include limits and technical safeguards to ensure they reflect the professional performance of the beneficiaries and not simply the general progress of the markets or the company's sector, or circumstances of that kind.

In particular, variable remuneration items should meet the following conditions:

- a) Be subject to predetermined and measurable performance criteria that factor the risk assumed to obtain a given outcome.**
- b) Promote the long-term sustainability of the company and include non-financial criteria that are relevant for the company's long-term value, such as compliance with its internal rules and procedures and its risk control and management policies.**
- c) Be focused on achieving a balance between the delivery of short, medium and long-term objectives, such that performance-related pay rewards ongoing achievement, maintained over sufficient time to appreciate its contribution to long-term value creation. This will ensure that performance measurement is not based solely on one-off, occasional or extraordinary events.**

Compliant

59. A major part of variable remuneration components should be deferred for a long enough period to ensure that predetermined performance criteria have effectively been met.

Explain

The Long Term Incentive Plan (ILP) was passed at the Shareholders' Meeting of 2014 and its Regulation don't includes this deferred payment. However the Company will consider this recommendation in the next long-term compensation systems that, where appropriate, approves.

60. Remuneration linked to company earnings should bear in mind any qualifications stated in the external auditor's report that reduce their amount.

Compliant

61. A major part of executive directors' variable remuneration should be linked to the award of shares or financial instruments whose value is linked to the share price.

Compliant

62. Following the award of shares, share options or other rights on shares derived from the remuneration system, directors should not be allowed to transfer a number of shares equivalent to twice their annual fixed remuneration, or to exercise the share options or other rights on shares for at least three years after their award.

The above condition will not apply to any shares that the director must dispose of to defray costs related to their acquisition.

Compliant

63. Contractual arrangements should include provisions that permit the company to reclaim variable components of remuneration when payment was out of step with the director's actual performance or based on data subsequently found to be misstated.

Compliant

64. Termination payments should not exceed a fixed amount equivalent to two years of the director's total annual remuneration and should not be paid until the company confirms that he or she has met the predetermined performance criteria.

Compliant

H. OTHER INFORMATION OF INTEREST

1. If there is any material aspect of corporate governance within the company or the group entities that is not covered by the other sections of this report but which needs to

be included in order to give a more complete and reasoned picture of the governance structure and practices within the company or its group, provide brief details of it.

2. Any other information, clarification or matter connected with the previous sections of this report may be included under this section to the extent that it is relevant and not a repetition.

Specifically, indicate whether the company is subject to legislation that differs from the Spanish legislation when it comes to corporate governance and, if so, include the information that has to be supplied and that is different from the information required in this report.

3. The company may also indicate whether it has voluntarily adopted other codes of conduct or good practice, be they international, sector-related or of some other kind. If it has, the code in question and the date on which it was adopted should be identified.

- With regard to **Section A.2** of this report it should be underscored that:

i) The significant holdings indicated in section A.2 of this Report are in accordance with the information published on the CNMV's website at 31 December 2016 and, in some cases, the information provided by the CNMV Shareholders to the Company.

However since some shareholders have not updated in the CNMV the number of voting rights that they hold after the grouping and exchange of shares or reverse split carried out in May 2015, the Company has calculated the estimate number of the voting rights that correspond to such shareholders (Nicolas Berggruen, Banco Santander, S.A, Fundación Bancaria Caixa D'Estalvis I Pensions de Barcelona/ Caixabank, S.A, HSBC Holdings PLC, GHO Networks, S.A. de CV/ Consorcio Transportista Occher, S.A. de C.V.), dividing by 30 the number of old shares they declared (one new share for 30 old shares).

ii) The indirect holding declared by Rucandio, S.A. to the CNMV (13,729,811 voting rights) is held through the entities identified in section A.2 (Promotora de Publicaciones, S.L., Timón, S.A., Asgard Inversiones, S.A., Rucandio Inversiones SICAV and Otnas Inversiones, S.L), with a total of 6,872,607 voting rights and, in addition, through 6,857,204 voting rights of the Company bound by the Prisa Shareholders' Agreement signed on April 24, 2014 (in which Rucandio indirectly holds a majority of the voting rights), as described in section A.6 of this Report. The aforesaid 6,857,204 voting rights bound by the Prisa Shareholders' Agreement include 6,140,576 voting rights held by GHO Networks, S.A. de CV/ Consorcio Transportista Occher, S.A. de C.V.

iii) As of December 31, 2016, Grupo Herradura de Occidente, S.A. de CV (Grupo Herradura) appeared on the CNMV's website as declarant and indirect holder of the shares of Consorcio Transportista Occher S.A. de CV (Occher). In August 2016 Grupo Herradura has been split into two separate entities, one of which, GHO Networks, S.A. DE CV is now the shareholder of Occher, replacing Grupo Herradura.

Part of the voting rights held by GHO Networks, S.A. de CV/ Occher (184,217,295 old voting rights, equivalent to 6,140,576 voting rights after the reverse split) are linked to Prisa Shareholders Agreement and the rest (156,500 voting rights) are not included in the aforesaid syndicate of shareholders.

iv) The voting rights held by International Media Group, SARL have been reported to the CNMV by D. Khalid Bin Thani Bin Abdullah Al-Thani (external director representing significant shareholdings), as an indirect stake.

International Media Group, S.A.R.L. is 100% owned by International Media Group Limited which in turn is 100% owned by Khalid Bin Thani Bin Abdullah Al-Thani.

v) As reported to the CNMV, the owner of the indirect holding declared by Nicolas Berggruen is the company BH Stores IV, B.V.

BH Stores IV, B.V. is a subsidiary of Berggruen Holdings LTD, a 100% subsidiary of Nicolas Berggruen Charitable Trust. The ultimate beneficiary of the shares of BH Stores IV, B.V. is Nicolas Berggruen Charitable Trust. Mr. Nicolás Berggruen is a member of the Board of Directors of Berggruen Holdings.

vi) Banco Santander, S.A. has reported to the Spanish Securities & Exchange Commission (CNMV) that its indirect holding is exercised through the following companies in the Santander Group: Cántabra de Inversiones, S.A., Cántabro Catalana de Inversiones, S.A., Fomento e Inversiones, S.A., Títulos de Renta Fija, S.A., Carpe Diem Salud, S.L. and Suleyado 2003, S.L.

vii) The most significant changes in the shareholding structure during the financial year are those reported by the owners of the shares to the CNMV at December 31, 2016.

- With regard to **Section A.3** of this report it should be underscored that:

i) Mr. Joseph Oughourlian, external director representing significant shareholdings, has stated to the Company: i) that his indirect stake in the share capital of the Company follows the structure reported in the tables of Section A.3 and ii) that he controls Amber Capital UK, LLP, which acts as investment manager to Amber Active Investors Limited, Amber Global Opportunities Limited and Amber Select Opportunities Limited.

ii) The 133 voting rights reported by Mr John Paton, are represented by way of 133 ADR's representing ordinary shares of PRISA.

iii) Given that the indirect holdings reported by directors Mr Juan Luis Cebrián Echarri, Mr Manuel Polanco Moreno and Mr Gregorio Marañón, don't represent 3% of the voting rights of the Company, it is not necessary identify the direct holders thereof, according to the terms of the Instructions for Completing the Annual Corporate Governance Report approved by CNMV Circular 7/2015.

- With regard to **Section A.4** of this report, Amber Capital UK LLP has stated that in its capacity as investment manager of numerous Amber Funds, uses a variety of service providers for commercial banking, prime brokerage, custody depositary and execution services and that it does not believe it has material commercial or contractual relationships with other significant shareholders of Prisa.

- With regard to **Section A.5** of this report, see section D.2 of this report regarding related party transactions.

-With regard to **Section A.6** of this report it should be underscored that:

i) The information regarding shareholders agreements was declared to the CNMV in material disclosures no 155,690 and 155,942, dated December 23 and December 30, 2011, respectively, in material disclosure no 157,599 dated February 7, 2012, in material disclosures no 193,575 dated October 7, 2013, and in material disclosures no 201041, no 204178 and no 211007, dated February 27, April 28, and September 22, 2014.

ii) Agreement of shareholders of (PRISA):

On 24 April 2014 a shareholders agreement was signed by Timón, S.A., Promotora de Publicaciones, S.L., Asgard Inversiones, S.L.U, Otnas Inversiones, S.L. (all direct or indirect subsidiaries of Rucandio, S.A.) and the shareholder CONSORCIO TRANSPORTISTA OCCHER, S.A. DE CV together with other shareholders, individuals and legal entities, of PRISA, for the purpose of: i) syndicating the vote of certain shares held by these shareholders and determining certain commitments of permanence as shareholders of the Company and ii) regulating the conduct of syndicated shareholders, so that it is concerted and unified, thus ensuring a common, stable voting policy in the Company

iii) Shareholder Agreement in Promotora de Publicaciones, S.L.:

The shareholders agreement was signed on May 21, 1992 and in a notarial document certified by Madrid Notary Public Mr. Jose Aristonico Sanchez, Timon S.A. and a group of shareholders of Promotora de Informaciones, S.A. entered into an agreement to govern the contribution of their shares in that company to Promotora de Publicaciones, S.L. (hereinafter, "Propu") and their participation therein. Basically, the undertakings set forth in that agreement are as follows: a) each majority shareholder shall have at least one representative on the Board of Directors of Prisa and, to the extent possible, the governing body of Propu shall

have the same composition as Prisa's; b) Propu shares to be voted at Prisa's General Shareholders Meetings will be previously determined by the majority members. Propu members who are likewise members of Prisa's Board of Directors shall vote in the same manner, following instructions from the majority shareholders; c) in the event that Timon, S.A. sells its holdings in Propu, the remaining majority shareholders shall have the right to sell their holdings in Propu on the same terms to the same buyer, to the extent that the foregoing is possible.

iv) Shareholder Agreement in Rucandio, S.A.:

On December 23, 2003 in a private document Mr. Ignacio Polanco Moreno, Ms. Isabel Polanco Moreno—deceased- (whose children have succeeded to her position in this agreement), Mr. Manuel Polanco Moreno, Ms. M^a Jesús Polanco Moreno and their now deceased father Mr. Jesús de Polanco Gutiérrez and mother Ms. Isabel Moreno Puncel signed a Family Protocol, to which a Shareholder Syndicate Agreement was annexed concerning shares in Rucandio, S.A. and whose object is to preclude the entry of third parties outside the Polanco Family in Rucandio, S.A. in the following terms: (i) the syndicated shareholders and directors must meet prior to any shareholder or board meeting to determine how they will vote their syndicated shares, and are obliged to vote together at shareholder meetings in the manner determined by the syndicated shareholders; (ii) if an express agreement is not achieved among the syndicated shareholders with respect to any of the proposals made at a shareholder meeting, it will be understood that sufficient agreement does not exist to bind the syndicate and, in consequence, each syndicated shareholder may freely cast his vote; (iii) members of the syndicate are obliged to attend syndicate meetings personally or to grant proxy to a person determined by the syndicate, unless the syndicate expressly agrees otherwise, and to vote in accordance with the instructions determined by the syndicate, as well as to refrain from exercising any rights individually unless they have been previously discussed and agreed at a meeting of the syndicate.; (iv) members of the syndicate are precluded from transferring or otherwise disposing of shares in Rucandio, S.A until 10 years following the death of Mr. Jesús de Polanco Gutiérrez, requiring in any case the consensus of all shareholders for any type of transfer to a third party. An exception to the aforementioned term can be made upon the unanimous agreement of the shareholders. This limitation likewise applied specifically to the shares that Rucandio, S.A. holds directly or indirectly in Promotora de Informaciones, S.A.

v) The concerted actions known to the Company are the shareholders agreements described above.

-With regard to **Section A.9.bis** of this report it should be underscored that floating capital has been estimated following the instructions of CNMV Circular 7/2015, that is, not taking into account the part of the share capital in the hands of significant shareholders (section A.2 of the report), or the voting rights of members of the Board of Directors (section A.3 of the report), or treasury stock (section A.8 of the report), and avoiding overlap between the voting rights of significant shareholders and of directors.

-With regard to **Section B.4** of this report it is noted that the percentage of electronic voting in the shareholders 'meeting of April 20, 2015 was 0.004% and in the shareholders 'meeting of April 1, 2016 was 0.002%. These data are not recorded in the table, because the CNMV's templates only allows inserting figures with two decimals.

-With regard to **Section C.1.2** of this report it should be underscored that: i) First appointment of Mr. Juan Luis Cebrian Echarri as Chairman of the Board of Directors was approved on 20 July 2012; ii) first appointment of Mr. Manuel Polanco Moreno as Deputy Chairman was approved on 20 July 2012 and iii) appointment of Mr Jose Luis Sainz as Chief Executive Officer was as of October 1, 2014.

- With regard to **Section C.1.3** of this report it should be underscored that Mr. Manuel Polanco is an external director representing significant shareholdings having been appointed by Timón, S.A and, likewise, is an executive director.

-With regard to **Section C.1.10** of this report it should be underscored that:

Mr. Juan Luis Cebrián Echarri and Mr. Jose Luis Sainz Díaz, to whom all the powers of the Board are delegated, save for those powers that by law cannot be delegated, are the Company's Executive Chairman and Chief Executive Officer respectively.

However, in accordance with the provisions of the Board of Directors Regulation, the two executives have different functions in order to ensure an adequate balance of power and to lessen any risk of a concentration of powers in a single person.

Thus the Chairman is responsible for organizing the Board, reporting to the Board on the fulfilment of the objectives set by it, promoting good governance within the Company, the monitoring and definition of the corporate strategy, the organization and general governance of the Company and the top-level inspection of the Company.

For his part, the Chief Executive Officer is the main collaborator of the Executive Chairman and is the person responsible for the ordinary management of the business, tasked with executing the strategy on a day-to-day basis and heading up the Business Units.

The Executive Chairman deals with the Chief Executive Officer and, where he considers it appropriate, with senior management, in order to report on how the business is doing.

For his part the Chief Executive Officer presides over a committee made up of the main executives from the Corporate Centre and the Chief Executive Officers of the Business Units, who meet once a fortnight in order to ensure the ordinary and effective management of the Group.

The Company also has a Coordinating Director, who is appointed from the independent directors, with the powers set out in article 12 of the Board of Directors Regulation.

- With regard to **section C.12.** of this report it should be underscored that:

i) Company Director Ms Blanca Hernández represents Grupo Tradifin, S.L. on the Board of Directors of Ebro Foods, S.A.

ii) Company Director Mr JohnPaton is Chairman of Cxense's Advisory Board

- With regard to **section C.1.15** and **C. 1.16.** of this report it should be underscored that:

i) The amounts corresponding to the total remuneration of directors and senior management recorded in sections C.1.15 and C.1.16 are those paid during the year calculated on an accrual basis as stipulated in Spanish Securities & Exchange Commission (CNMV) Circulars 4/2013, 5/2013 and 7/2015, which approve the models for annual reports on directors' remuneration and the annual corporate governance report for listed limited companies, and differ from the total remuneration paid to directors and senior management recorded in the Notes to the Financial Statements and Half-yearly Financial Information for 2016, which reflect accounting provision.

The remuneration paid to directors included in Section C.1.15 of this Report thus coincides with that specified in Section D of the annual report on directors' remuneration, to which we refer for further details.

ii) The total remuneration for the Board of Directors includes the remuneration of Ms. Arianna Huffington, Ms. Agnes Noguera Borel, Mr. Borja Pérez Arauna and Mr. Claudio Boada Pallerés, until they ceased as directors in 2016.

iii) Section A.5 of the report on remuneration (*Explain the principal features of the long-term savings schemes, including retirement and any other survival benefit, financed in whole or in part by the company, whether funded internally or externally, with an estimate of the amount thereof or the equivalent annual cost, indicating the type of plan, whether it is a defined contribution or defined benefit plan, the conditions for vesting of the economic rights in favour of directors and compatibility thereof with any kind of indemnification for early termination of the contractual relationship between the company and the director. Also indicate the contributions on the director's behalf to defined-contribution pension plans, or any increase in the director's vested rights in the case of contributions to defined-benefit schemes*) states as follows:

"The contract signed with the Executive Chairman, Mr. Juan Luis Cebrián Echarri, which entered into effect on 1 January 2014 (see section A.7), provides that for each of the years 2014, 2015, 2016, 2017 and 2018, he

is entitled to an annual contribution of 1,200,000 euros, as retirement benefit. Mr. Cebrián, founder of El Pais, this year has completed 40 years of service to the Company.

The retirement benefit will be delivered to Mr. Cebrián upon conclusion of his contract, even though the director resigns of his own accord. In the event of early termination of his contract by the Company, Mr. Cebrián as indemnification will receive exclusively full settlement of the retirement benefit, which will not be compatible with any other kind of indemnification

As indicated in section A.7 below, in the event of breach of the noncompetition clause established in his contract, Mr. Cebrián will be required to repay such amount as he may have received as retirement benefit to the Company.

The Company recorded in 2014 a provision covering the full amount of the retirement benefit.”

iv) The aggregate compensation of the managers is the compensation of members of senior management, that being understood to be the members of the Business Management Committee that are not executive directors and have an employment relationship with Prisa and other companies in the Group and, furthermore, the internal audit manager of Promotora de Informaciones, S.A

The remuneration of Mr Antonio Alonso Salterain until his resignation as Chief Revenue Officer, in June 2016, is also included within the total compensation of senior management. It has been included the remuneration of Mr. Ignacio Soto from his appointment as Chief Revenue Officer, in July 2016.

-With regard to **Section C.1.45** of this report it should be underscored that the body that has authorized ironclad or golden handshake clauses was the Corporate Governance, Nomination and Compensation Committee or the Nomination and Compensation Committee, depending on the date.

- With regard to **Section C.2.1** of this report it should be underscored that:

i) The four members of the Audit Committee, Mr Glen Moreno, Mr. Jose Luis Leal, Ms Elena Pisonero and Mr Walid Saadi have been appointed taking account of their knowledge and experience of accounting and audit work, but the IT platform only allows one director to be selected.

ii) The Chairman of the Audit Committee, Mr. Glen Moreno, has held office since April 2016.

- With regard to **Section C.2.1** of this report it should be underscored that the Committee for Digital Change was set up in October 2014.

- With regard to **Section D.2** of this report it should be underscored that:

i. Transactions shown in the table include operations with the significant shareholder and/or companies in the Group;

ii. Transactions with Grupo PRISA include those with Promotora de Informaciones, S.A. (PRISA) and companies in its group. When the name of a particular company in Grupo PRISA is specified, this indicates that the transaction was carried out exclusively with that company.

iii. The operations shown in the table reflect the accounting information contained in the consolidated income statement for Grupo PRISA.

- With regard to **Section D.3** of this report it should be underscored that compensation to Prisa directors and senior management is detailed in Sections C.1.15 and C.1.16 of this report.

Likewise it should be underscored that Mr. Gregorio Marañón y Bertrán de Lis has rendered Legal advice services.

- With regard to **Section D.5** of this report it should be underscored that, in addition to the transactions described in sections above, the following transactions with related parties, have been performed: i) services provided to Grupo Prisa companies by other investee companies, for an aggregate amount of 1,886 thousand euros; ii) services provided by Grupo Prisa companies to other investee companies, for an aggregate amount of 651 thousand euros; iii) loans granted by Grupo Prisa companies to other investee companies, for an aggregate amount of 1,563 thousand euros; iv) financial income recorded by companies in Grupo Prisa, linked to the loans granted to investees, amounting to an aggregate total of 1,060 thousand euros; v) dividends received by Grupo Prisa companies from investees, amounting to an aggregate total of 27 thousand euros, and vi) the Statement of Intent signed in 2016 by FUNDACIÓN SANTILLANA, PRISA and PRISA NOTICIAS, under which FUNDACION SANTILLANA has assumed the obligation to sell its holdings in DIARIO EL PAIS, S.L and EDICIONES EL PAIS, S.L. to PRISA NOTICIAS. These stakes are classed as “founders’ stakes” and confer a raft of special voting rights. The sale-purchase price is 3,000,000, equivalent to €150,000 per stake. The price was set based on an appraisal from an independent third party. In relation to this sale-purchase, PRISA paid FUNDACIÓN SANTILLANA, on behalf and in the name of PRISA NOTICIAS, an initial payment of €1,000,000 in 2016. Based on an Audit Committee report, the transactions was approved by the Board of Directors.

- With regard to **Sections D.7 and G.2** of this report it should be underscored that PRISA Portuguese subsidiary Grupo Media Capital, S.G.P.S, S.A. is listed on the Portuguese securities market.

- With regard to **Section G.6** of this report it should be underscored that the reports referring to the recommendation will be published by the Company well ahead of the shareholders’ meeting to be held in 2017.

- For the purposes of **section G.16** of this Report, it is placed on record that the Company currently has 4 proprietary directors (representing 28.57% of the total external directors) and the shareholders they represent own an aggregate interest of approximately 35.5%.

- Lastly and as a relevant aspect in matter of good governance of the Company, it is noted that the Internal Code of Conduct on Matters Relating to the Securities Market has been amended by the Board of Directors in July 2016 at the Corporate Governance Committee’s request, in order to bring it into line with the new Regulation (EU) No. 596/2014 of 16 April 2014 on market abuse and implementing regulations, which have been directly in force in Spain since 3 July.

Also, taking into account the Company’s current financial restructuring, the Board of Directors has approved, also at the Corporate Governance Committee’s request, a “Protocol of Action” for the process that sets out stricter guidelines on the use of “inside information”.

- It is placed on record, in general for the entire Report that the taxpayer identification numbers (CIF) attributed to certain natural and legal persons are fictitious and have only been included to be able to complete the electronic template.

- As PRISA’s ADS are not listed on the NYSE (see Section A.12 of this Report), the Company is not subject to the corporate governance requirements specified by the Securities Exchange Act, the Sarbanes-Oxley Act and the NYSE.

Prisa does not prepare any annual corporate governance report other than this one.

This Annual Report on Corporate Governance was approved by the Board of Directors of the Company at its meeting on February 24, 2017.

Indicate whether any directors voted against or abstained in the vote taken to approve this report.

NO

**Promotora de
Informaciones, S.A.
(Prisa) and Subsidiaries**

Auditors' Report on the System of
Internal Control over Financial Reporting
(ICFR)

*Translation of a report originally issued in Spanish.
In the event of a discrepancy, the Spanish-
language version prevails.*

Translation of a report originally issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails.

INDEPENDENT REPORT ON THE SYSTEM OF INTERNAL CONTROL OVER FINANCIAL REPORTING (ICFR)

To the shareholders of Promotora de Informaciones, S.A.,

Scope of the Work

We have conducted the reasonable assurance review of the information relating to the System of Internal Control over Financial Reporting (ICFR) of Promotora de Informaciones, S.A. and Subsidiaries ("the Group") contained in Note F of the accompanying Annual Corporate Governance Report for the year ended 31 December 2016.

The objective of this system is to contribute to the faithful representation of the transactions performed and to the provision of reasonable assurance in relation to the prevention or detection of any errors that might have a material effect on the consolidated financial statements.

The aforementioned system is based on the rules and policies defined by the Board of Directors of Promotora de Informaciones, S.A. in accordance with the guidelines established by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in its Internal Control-Integrated Framework (2013) report.

A system of internal control over financial reporting is a process designed to provide reasonable assurance on the reliability of financial information in accordance with the accounting principles and standards applicable to it. A system of internal control over financial reporting includes policies and procedures that: (i) enable the records reflecting the transactions performed to be kept accurately and with a reasonable level of detail; (ii) guarantee that these transactions are performed only in accordance with the authorisations established; (iii) provide reasonable assurance that transactions are recognised appropriately to enable the preparation of the financial information in accordance with the accounting principles and standards applicable to it; and (iv) provide reasonable assurance in relation to the prevention or timely detection of unauthorised acquisition, use or sale of the company's assets that could have a material effect on the financial information. In view of the limitations inherent to any system of internal control over financial reporting, certain errors, irregularities or fraud might not be detected. Also, the projection to future periods of an evaluation of internal control is subject to risks, including the risk that internal control may be rendered inadequate as a result of future changes in the applicable conditions or that there may be a reduction in the future of the degree of compliance with the policies or procedures established.

Directors' Responsibility

The Board of Directors of Promotora de Informaciones, S.A. is responsible for maintaining the System of Internal Control over the Financial Information included in the consolidated financial statements and for evaluating its effectiveness.

Our Responsibility

Our responsibility is to issue a report on the independent reasonable assurance review of the effectiveness of the System of Internal Control over Financial Reporting (ICFR) based on the work performed by us.

Our work includes an evaluation of the effectiveness of the system of ICFR in relation to the financial information contained in the consolidated financial statements of the Group as at 31 December 2016, prepared in accordance with International Financial Reporting Standards as adopted by the European Union and the other provisions of the regulatory financial reporting framework applicable to the Group.

Our work was performed in accordance with the requirements established in Standard ISAE 3000 "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC) for the issuance of reasonable assurance reports.

This standard requires the planning and performance of procedures and the obtainment of sufficient evidence to reduce engagement risk to an acceptably low level in the circumstances of the engagement, and the issuance of a positive conclusion.

Independence

Our work was performed in accordance with the independence standards required by the Code of Ethics of the International Ethics Standards Board for Accountants (IESBA), which are based on the fundamental principles of integrity, objectivity, professional competence, due care, confidentiality and professional behaviour.

In accordance with International Standard on Quality Control 1 (ISQC 1), Deloitte has in place a global system of quality control which includes documented policies and procedures in relation to compliance with ethical requirements, professional standards and applicable legislation.

Conclusion

In our opinion, as at 31 December 2016, the Group maintained, in all material respects, an effective System of Internal Control over the Financial Information contained in its consolidated financial statements, and this internal control system is based on the rules and policies defined by the Board of Directors of Promotora de Informaciones, S.A. in accordance with the guidelines established by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in its report "Internal Control-Integrated Framework (2013)". Furthermore, the disclosures contained in the information relating to the system of ICFR which is included in Note F of the Group's Annual Corporate Governance Report as at 31 December 2016 are in compliance, in all material respects, with the requirements established by the Corporate Enterprises Act, the Order ECC/461/2013, of 20 March and Circular 7/2015, of 22 December, as amended by the Spanish Securities Market Commission Circular 5/2013, of 12 June.

DELOITTE, S.L.



Fernando García Beato

27 February 2017

million.

E.6 Explain the response and supervision plans for the entity's main risks, including tax risks.

In terms of exchange rate risk, to the extent that it has credit lines available, the Group, based on its forecasts and monthly budgets, adopts the practice of entering into currency hedges, forwards and options on currency. The main aim of this is to reduce cash flow volatility in the subsidiaries operating abroad.

Regarding risks of tax nature the Group monitors the changes of the tax regulation in the countries where it operates, and assesses the impacts of mentioned changes on both, operations and financial statements. Additionally, the Group counts on external tax advisors for the interpretation of the tax treatment of complex operations.

F. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS IN CONNECTION WITH THE FINANCIAL REPORTING PROCESS (ICFR)

Describe the mechanisms making up the control and risk management systems in connection with the financial reporting process (ICoFR) of your entity.

F.1 Entity control environment

Indicate the following, detailing at least their main features:

F.1.1. What bodies and/or functions are responsible for: (i) the existence and maintenance of an adequate and effective ICoFR; (ii) its implementation; and (iii) its supervision.

The company's approach regarding the internal control over financial reporting (hereinafter ICoFR), which was initially deployed according Internal Control Framework issued by COSO in 1992, was adapted during 2014 to the revised COSO Framework issued in 2013. In this regard, the Group will continue improving its ICFR system in conformity with this new Integrated Internal Control Framework.

The Board of Directors of Prisa , among other functions, as set out in Article 5.2 of Board Regulations, are responsible for the definition of the policy of control and risk management (included those related to the tax regulation) and for the monitoring of internal information and control systems. Also, in accordance with the provisions of the mentioned article of the Board Regulations, the financial information, that Prisa, as listed company, had the obligation to periodically make public, must be approved by the Board of Directors. In this regard, the Board of Directors is assisted, for the development of these functions, by the Audit Committee of Prisa. Among the basic responsibilities of the Audit Committee, as defined in the Board Regulations , are the monitoring of the effectiveness of Group's internal control and risk management systems, and the preparation and presentation of the regulated financial information, in particular the Financial Statements that the Board must provide quarterly and annually to the markets and their supervisory bodies.

The effective implementation of internal control model is the responsibility of the CEO and the CFO of Prisa, as well as the CEOs and CFOs of the Group's business units involved in the preparation of financial information which forms the basis for the preparation of Group's Financial Statements.

The monitoring of ICoFR, is performed both by the Audit Committee and the Board of Prisa, with the Internal Audit function support.

F.1.2. With particular reference to the process for preparing financial information, which of the following elements are in place:

•Departments and/or mechanisms responsible for: (i) design and review of the organizational structure; (ii) clearly defining lines of responsibility and authority, with an adequate distribution of tasks and duties; and (iii) ensuring there are adequate procedures for their correct dissemination within the entity.

The Direction of Organization and Human Resources, under the CEO, is responsible for the design, implementation, review and updating of the Group's organizational structure. The Group's business units have a distribution and definition of tasks and functions in the financial areas, which have job descriptions for key roles in these areas, as well as clearly defined lines of responsibility and authority in the preparation process of the financial reporting.

In addition, the Direction of Organization and Human Resources coordinates and monitors the internal procedures of the Group companies, and its degree of documentation, updating and circulation.

•Code of conduct: approval body, degree of communication and instruction, principles and values included (indicated whether specific mention is made of the recording of operations and the preparation of financial information), the body responsible for analyzing non-compliance and proposing corrective actions and sanctions.

Prisa Group has a Code of Ethics that sets out the principles and standards of conduct that should govern the companies in PRISA Group and all their employees, aimed at ensuring ethical and responsible behavior in the pursuit of their activities.

The PRISA Compliance Unit reports functionally and administratively to the Audit Committee and is the body charged with safeguarding and promoting ethical behavior of employees, associates and members of PRISA Group, and, therefore, amongst other functions, with overseeing their compliance with the Code of Ethics.

The Compliance Unit must report incidents relating to the Code of Ethics to the Corporate Governance Committee so that the latter can examine compliance with the Group's rules of governance.

The Compliance Unit promotes internal communication with officers and employees to ensure they know the compliance policy and obligations in this respect.

The Code of Ethics has been communicated and disseminated to all employees of the Group to whom it applies. Also, the PRISA Communication Department has implemented an internal and external communication plan for the Code, supervised by the PRISA Compliance Unit, and the associated training plan.

The Code of Ethics is posted on the corporate website (www.prisa.com) and in PRISA's global intranet (Toyoutome).

The Code of Ethics sets out a series of standards of conduct based on the following principles:

- i. Respect human rights and liberties.
- ii. Promotion of career development, equal opportunity, non-discrimination due to personal, physical or social conditions, and respect for persons.
- iii. Occupational safety and health.
- iv. Environmental protection.

Specifically, in relation to financial reporting, PRISA Group considers transparency in financial information as a basic principle that must govern its actions and, therefore, establishes rules of conduct aimed at ensuring that all information, be it internal information or the information reported to the markets, to the regulators of those markets or to government authorities, be truthful and complete and adequately reflects, amongst other aspects, its financial situation and the results of its operations, and be reported on a timely basis and in accordance with the applicable standards and general principles governing markets and their proper governance that PRISA Group has endorsed.

Rules of conduct are also established aimed to guarantee that all transactions are timely recorded in the Group's systems, in keeping with the principles of existence, completeness, clarity and accuracy in the Group's systems and financial statements, in accordance with the applicable accounting standards.

•Whistle-blowing channel for communicating irregularities of a financial and accounting nature to the Audit Committee, as well as any failures to comply with the code of conduct and irregular activities in the organization, indicating whether it is confidential in nature.

The Group has a Whistle-blowing mailbox for the reception and treatment of complaints regarding wrongdoings or breaches related to both, internal and external regulations, in matters affecting the Group, its employees or its activities.

This is a confidential and anonymous communication channel available to any employee in the Group intranet or alternatively through a post office box laid out for this purpose. The received complaints are currently managed by Prisa Compliance Unit, who reports them to the Audit Committee. Additionally, there is a confidential Whistle-blowing mailbox for third parties related to the Group and accessible through corporate website www.prisa.com.

•Training and regular updating programs for the personnel involved in the preparation and review of financial information, as well as assessment of the ICoFR, dealing at least with accounting standards, audit, internal control and risk management.

The financial officers responsible for reporting in the business units and significant companies in the Group periodically receive accounting standards update bulletins.

F.2 Assessment of financial reporting risks

Inform at least on the following:

F.2.1. What are the main features of the risks identification process? Include risks of error and fraud, indicating:

•Whether the process exists and is documented.

The system established in the Group for financial reporting risks identification and assessment is formally documented and updated at least once a year.

In the Group financial reporting risks assessment it is applied a top down approach based on the Group's significant risks. This approach starts with the identification of significant accounts and disclosures, assuming both quantitative and qualitative factors. The quantitative evaluation is based on the materiality of the account, and it is supplemented by qualitative analysis that determines the associated risk considering the characteristics of the transactions, the nature of the account, the accounting and reporting complexity, the probability of significant contingent liabilities to be generated resulting from transactions associated with the account, the

susceptibility to errors or fraud losses and the potential impact on financial reporting of the risks identified in business units, corporate risks maps and during performed Internal Audit reviews.

In order to perform a full risk assessment, this analysis is performed on each business unit, as they primarily generate financial information that serves as the basis for preparing consolidated financial statements of the Group.

For each business unit, the most relevant accounts are identified, based on mentioned risk analysis. After identifying significant accounts and disclosures at the consolidated level and in each business unit, we proceed to identify the relevant processes associated with them, and the main kind of transactions within each process. The objective is to document how key relevant processes transactions are initiated, authorized, recorded, processed and reported.

•Whether the process covers all of the objectives of the financial information (existence and occurrence; integrity; evaluation; presentation, breakdown and comparability; and rights and obligations), whether it is updated, and with what frequency.

For each account the controls are analyzed in order to cover the assertions to ensure the reliability of financial reporting, i.e. that recorded transactions have occurred and pertain to that account (existence and occurrence) , transactions and assets are registered in the correct amount (assessment / measurement), the assets, liabilities and transactions of the Group are properly disclosed, categorized and described (presentation and disclosure) and there are no assets, liabilities, and significant transactions not recorded (completeness). Complementary to risks update, the Group annually performs a review of controls that mitigate identified risks.

•Whether there is a process for identification of scope of consolidation, taking into account among other aspects the possible existence of complex corporate structures, holding companies or special purpose vehicles.

Among the significant processes it is considered the determination of the scope of consolidation of the Group, which is conducted monthly by the Consolidation department, set in the Corporate Finance Department, in collaboration with legal advisory department, who regularly reports the corporate transactions and subscribed shareholder agreements.

•Whether the process takes into account the impacts of other types of risk (operating, technology, financial, legal, reputational, environmental, etc.) insofar as these affect the financial statements.

Risk assessment process takes into account the risk profile of each business unit, which is determined by their contribution to the consolidated financial statements, and assessing the specific risks, among other factors, the nature of their activities, centralization or decentralization of operations, specific industry and environmental risks, to the extent they may have potential impact in financial statements.

•Which governing body of the entity supervises the process.

The system is monitored, as mentioned above, by the Audit Committee and, ultimately, by the Board of Directors.

F.3 Control activities

Provide information on whether at least the following exist, indicating their main features:

F.3.1. Procedures for reviewing and authorizing financial information and description of the ICoFR, to be published on the stock markets, indicating those responsible, as well as documentation describing flows of activities and controls (including those relating to risk of fraud) of different transaction types that may significantly affect the financial statements, including the procedure for the accounting close and the specific review of judgements, estimates, assessments and relevant forecasts.

The Group has documentation describing flows of activities and process controls identified as significant in each business unit and at corporate level. Based on this description the key risks and mitigating controls are identified. The documentation of control activities is supported on risk and control matrixes by process. In these matrixes the activities are classified by their nature as preventive or detective, and based on the degree of mitigation of associated risks, as key or standard.

In each significant business unit there is a documented process describing the accounting close as well as specific processes and controls concerning relevant judgments and estimates, according to the nature of the activities and risks associated to each business unit.

In relation to the financial reporting review and approval process, a phased certification process is developed on the effectiveness of internal control model over financial reporting. The CEOs and CFOs in the business units and companies that are considered significant, confirm in writing the effectiveness of defined controls for their critical processes as well as their financial information reliability. Also, in relation to this process, as mentioned above, there are procedures for the financial information disclosed to the stock markets review and approval by the governing bodies.

F.3.2. Internal control policies and procedures for information systems (inter alia, for secure access, controls over modification and operation, continuity of operations and segregation of duties) that support the relevant processes of the entity in connection to the development and publishing of financial information.

As for the controls on the systems or applications which are relevant in relation to the developing of financial information, these are intended to maintain the integrity of systems and data and ensure its operation over time.

The controls considered on information systems are essentially access control, segregation of duties, systems operations and development or modification of computer applications. The Group annually reviews and evaluates the controls and procedures associated with the main applications implied in financial reporting processes.

F.3.3. Internal control policies and procedures for supervising the management of activities outsourced to third parties, as well as those aspects of assessments, calculations or valuations that are entrusted to independent experts, which may have a material effect on the financial statements.

In relation to subcontracted activities, the main outsourced activity in the Group is information technologies service, entrusted to Indra. The Group has established a model of government based on regularly holding several meetings and committees in order to monitor the outsourced services.

F.4 Information and communication

Provide information on whether at least the following exist, indicating their main features:

F.4.1. A specific function tasked with defining and updating accounting policies (accounting policy area or department) and resolving any queries or disputes arising as a result of their interpretation, maintaining a fluent dialog with the people responsible for operations in the organization, as well as an up-to-date accounting policies manual that is communicated to the units through which the entity operates.

The organization has an accounting manual founded on the International Financial Reporting Standards applicable to the Group's businesses, developed by the Internal Audit Department, and annually updated and communicated to the different business units. There are also specific accounting policies developed for some Group businesses providing simplified accounting treatment to correctly reflect their activities. Furthermore, Internal Audit Department periodically issues accounting newsletters that show the latest changes of international accounting standards in those aspects that could affect Group entities' financial statements.

F.4.2. Mechanisms for gathering and preparing the financial information using standard formats, applied and used by all the units in the entity or the group, which support the main financial statements and disclosures, as well as the information given on the ICoFR.

Prisa counts on an unified and adapted chart of accounts applicable to all the Group companies that manage financial information within Group SAP software. Likewise, there is a single and homogeneous format of documentation for the financial reporting of Group business units which supports the financial statements, notes and disclosures included in regulated financial information.

F.5 Supervision of system effectiveness

Provide information on at least the following, indicating their main features:

F.5.1. Supervisory activities on the ICoFR carried out by the Audit Committee, as well as whether the entity has an internal audit function that includes among its competencies supporting the committee in the task of supervising the internal control system, including the ICoFR. Furthermore, information must be provided on: the scope of the evaluation of the ICoFR carried out during the year and on the reporting procedure followed by the person in charge of conducting the evaluation; whether the entity has an action plan detailing possible corrective measures; and whether its impact on the financial information has been considered.

As part of the monitoring activities on the internal control system carried out by the Audit Committee, in accordance to current Regulation, the following are included in connection with the preparation and publishing of the financial information:

- i. Monitor the effectiveness of the Company's internal control, and risk management system, included those related to tax regulation, and discuss with the external auditor the significant weaknesses in internal control system identified during the course of the audit.
- ii. Monitor the process of preparation and presentation of the perceptive financial information.
- iii. Inform in advance to the Board of Directors regarding all the subjects defined in the law, the corporate statutes and the Board Regulations, and in particular about:
 - o The financial information that the entity must periodically publish
 - o The creation or acquisition of shares on special purpose vehicles or companies registered in countries or territories considered as tax haven.
 - o Related parties operations.

The Group has an internal audit unit, which supports the Group Audit Committee in monitoring internal control system over financial reporting. The Internal Audit Direction depends functionally on the Audit Committee and hierarchically on the Chairman of the Group.

The main objective of internal audit is to provide the Group management and the Audit Committee with reasonable assurance on the environment and internal control systems operating within the Group companies having been properly managed. For this purpose, internal audit reviews the design and scope of the Group's internal control system over financial reporting, and subsequently carries out the evaluation of the design and effectiveness of the control activities defined in the model. Annually the functioning of the general controls of the Group as well as controls related to the information systems and the key control activities in the ICoFR are tested.

For each of the identified weaknesses, an estimation is done on the economic impact and probability of occurrence, classifying them according to this estimation. Also, for all the identified weaknesses a plan of action is defined in order to correct or mitigate the risk, including a responsible for the management and an implementation schedule.

The Internal Audit Direction reports annually to the Audit Committee on the results of the evaluation of the ICoFR and regularly informs on the evolution of the established action plans.

F.5.2. Whether any discussion procedure is in place whereby the auditor (in accordance with the provisions of the Technical Auditing Rules), the internal audit function and other experts may notify senior management and the Audit Committee or directors any significant internal control weaknesses identified during the processes of reviewing the financial statements and in any other processes that may have been entrusted to them. Information must also be provided on whether it has an action plan that seeks to correct or mitigate the weaknesses identified.

The significant deficiencies and material weaknesses that would have been revealed as a result of the internal audit's assessment of the of internal control system over financial reporting, are reported to both the Audit Committee and the external auditor. Internal Audit prepares an annual report on the evaluation of the internal control system over the Group's financial information in which it is detailed for each weakness identified, a defined action plan or the mitigating controls, and those responsible for its implementation.

Additionally, ultimately, the internal control system is audited by the statutory auditor of the Group, who reports to the Audit Committee on the significant and material weaknesses identified and gives opinion on the effectiveness of internal control over financial reporting during the year.

F.6 Other relevant information

None

F.7 External auditor's report

Provide information on:

F.7.1. Whether the information on the ICoFR sent to the markets has been reviewed by the external auditor, in which case the entity should include the provided report as an annex. If that is not the case, reasons should be reported.

The system of internal control over financial reporting is audited by the statutory auditor of the Group that gives opinion on the effectiveness of internal control within a specific report.

G. DEGREE OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS.

Indicate the company's degree of compliance with the recommendations of the Unified Code of Corporate Governance.

If any recommendations are not followed or are only followed in part, a detailed explanation must be provided as to why that is the case so that shareholders, investors and the market in general has sufficient information to be able to assess the conduct of the company. General explanations will not be acceptable.

1. The bylaws of listed companies should not place an upper limit on the votes that can be cast by a single shareholder, or impose other obstacles to the takeover of the company by means of share purchases on the market.

Compliant

2. When a dominant and a subsidiary company are both listed, they two should provide detailed disclosure on:

a) The activity they engage in and any business dealings between them, as well as between the listed subsidiary and other group companies.

b) The mechanisms in place to resolve possible conflicts of interest.

Does not apply

3. During the annual general meeting the chairman of the board should verbally inform shareholders in sufficient detail of the most relevant aspects of the company's corporate governance, supplementing the written information circulated in the annual corporate governance report. In particular:

a) Changes taking place since the previous annual general meeting.

b) The specific reasons for the company not following a given Good Governance Code recommendation, and any alternative procedures followed in its stead.

Partially compliant

At the shareholders' meeting held last April, the Chairman informed the shareholders of the major developments in corporate governance since the previous shareholders' meeting, but he didn't give details of the specific reasons by which the Company did not follow certain recommendations, considering that the Annual Corporate Governance Report (which is available to the shareholders on the occasion of the call to the shareholders' meeting) contains an adequate and reasoned explanation of those grounds. The Chairman's speech at the shareholders' meeting is short and cannot deal with these details as it could be tedious.

DECLARACION DE RESPONSABILIDAD SOBRE LAS CUENTAS ANUALES E INFORME DE GESTIÓN CORRESPONDIENTES AL EJERCICIO 2016, TANTO DE PROMOTORA DE INFORMACIONES, S.A. COMO DE SUS SOCIEDADES CONSOLIDADAS.

AFFIDAVIT OF ASSUMPTION OF LIABILITY WITH RESPECT TO THE 2016 ANNUAL ACCOUNTS AND MANAGEMENT REPORT OF BOTH PROMOTORA DE INFORMACIONES, S.A. AND ITS CONSOLIDATED COMPANIES.

24 de febrero de 2017

Conforme a lo dispuesto en el art. 8 del Real Decreto 1362/2007 de 19 de octubre, todos los miembros del Consejo de Administración de PROMOTORA DE INFORMACIONES, S.A. declaran que responden del contenido de las cuentas anuales e informe de gestión correspondientes al ejercicio 2016, tanto de PROMOTORA DE INFORMACIONES, S.A., como de sus sociedades consolidadas, que han sido formuladas con fecha 24 de febrero de 2017, en el sentido de que, hasta donde alcanza su conocimiento, han sido elaboradas con arreglo a los principios de contabilidad aplicables, ofrecen la imagen fiel del patrimonio, de la situación financiera y de los resultados del emisor y de las empresas comprendidas en la consolidación tomados en su conjunto, y que el informe de gestión incluye un análisis fiel de la evolución y los resultados empresariales y de la posición del emisor y de las empresas comprendidas en la consolidación tomadas en su conjunto, junto con la descripción de los principales riesgos e incertidumbres a las que se enfrentan.

Pursuant to the provisions of Article 8 of Royal Decree 1362/2007 of October 19, the members of the Board of Directors of PROMOTORA DE INFORMACIONES, S.A. hereby declare that they are accountable for the content of the 2016 annual accounts and management reports of both PROMOTORA DE INFORMACIONES, S.A. and its consolidated companies, which were drawn up on February 24, 2017, in the sense that, to the best of their knowledge, they have been calculated according to applicable accounting principles, they offer a true and fair view of the assets, financial situation and results of the issuer and its consolidated companies as a whole, and the management reports includes a true and fair analysis of the evolution, business results and position of the issuer and its consolidated companies as a whole, together with a description of the principal risks and uncertainties which they face.

D. Juan Luis Cebrián Echarri

D. Jose Luis Sainz Díaz

D. Manuel Polanco Moreno

D. Roberto Lázaro Alcántara Rojas

D. Dominique Marie Philippe D'Hinnin

D. Gregorio Marañón y Bertrán de Lis

D. Alain Minc

D. John Paton

D. Ernesto Zedillo Ponce de León

D. Joseph Oughourlian

D. Jose Luis Leal Maldonado

Dña. Elena Pisonero Ruiz

Dña. Blanca Hernández Rodríguez

D. Glen Moreno

D. Alfonso Ruiz de Assin Chico de Guzmán

D. Khalid Thani Abdullah Al Thani

D. Waleed Ahmad Ibrahim AlSa'di

PROMOTORA DE INFORMACIONES, S.A. (PRISA)

Sociedad inscrita en el Registro Mercantil de Madrid al tomo 2.836 general, 2.159 de la Sección tercera del Libro de Sociedades, folio 54, hoja número 19.511. Número de Identificación Fiscal A - 28297059

D. ANTONIO GARCIA-MON MARAÑES, Secretario del Consejo de Administración de **PROMOTORA DE INFORMACIONES, S.A.**, del que es presidente D. JUAN LUIS CEBRIAN ECHARRI,

CERTIFICA:

I. Que el Consejo de Administración de PROMOTORA DE INFORMACIONES, S.A. en su sesión celebrada el 24 de febrero de 2017 acordó formular, para su presentación a la Junta General de Accionistas, las cuentas anuales (balance, cuenta de pérdidas y ganancias, estado de ingresos y gastos reconocidos, estado de cambios en el patrimonio neto, estado de flujos de efectivo y memoria) así como el Informe de Gestión correspondientes al ejercicio 2016, tanto de PROMOTORA DE INFORMACIONES, S.A. como de sus sociedades consolidadas, que han sido firmadas por todos sus miembros. Este acuerdo se adoptó por acuerdo de todos los consejeros, excepto con la abstención del consejero D. Joseph Oughourlian quien firmó las cuentas anuales pero que en el momento de la votación del acuerdo de formulación se abstuvo al haber manifestado previamente su oposición a la remuneración variable de los consejeros ejecutivos aprobada por el Consejo de Administración.

II. Que las cuentas anuales y los informes de gestión que se remiten a la CNMV por el trámite CAA del Cifradoc, son copia de los que fueron formulados por el Consejo de Administración y se corresponden con los auditados. Asimismo las declaraciones de responsabilidad remitidas son copia de las originales que fueron firmadas por los Consejeros.

III. Que los informes de auditoría remitidos por dicho trámite CAA son copia de los originales.

IV. Que conforme a lo dispuesto en el art. 8 del Real Decreto 1362/2007, de 19 de octubre, hace constar que todos y cada uno de los miembros del Consejo de Administración de PROMOTORA DE INFORMACIONES, S.A., que se detallan a continuación;

Presidente:

D. Juan Luis Cebrián Echarri

Vicepresidente:

D. Manuel Polanco Moreno

Consejero Delegado:

D. Jose Luis Sainz Díaz

Consejeros:

D. Roberto Lázaro Alcántara Rojas

D. Waleed Ahmad Ibrahim AlSa'di

D. Dominique Marie Philippe D'Hinnin

D. Gregorio Marañón y Bertrán de Lis

D. Alain Minc

D. John Paton

D. Ernesto Zedillo Ponce de León

D. Joseph Oughourlian

D. Khalid Thani Abdullah Al Thani

D. Jose Luis Leal Maldonado

Dña. Elena Pisonero Ruiz

Dña. Blanca Hernández Rodríguez

D. Glen Moreno

D. Alfonso Ruiz de Assin Chico de Guzmán

han declarado que hasta donde alcanza su conocimiento, las cuentas anuales e informe de gestión correspondientes al ejercicio 2016, tanto de PROMOTORA DE INFORMACIONES, S.A., como de sus sociedades consolidadas, han sido elaboradas con arreglo a los principios de contabilidad aplicables, ofrecen la imagen fiel del patrimonio, de la situación financiera y de los resultados del emisor y de las empresas comprendidas en la consolidación tomados en su conjunto, y que el informe de gestión incluye un análisis fiel de la evolución y los resultados empresariales y de la posición del emisor y de las empresas comprendidas en la consolidación tomadas en su conjunto, junto con la descripción de los principales riesgos e incertidumbres a las que se enfrentan.

Y para que así conste, expide la presente certificación en Madrid, a 27 de febrero de 2017.

Vº.Bº.
EL PRESIDENTE
D. Juan Luis Cebrián Echarri

EL SECRETARIO
D. Antonio García-Mon Marañés