

Promotora de Informaciones, S.A.

Financial Statements for the year
ended 31 December 2017 and
Directors' Report, 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.

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

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

Report on the Financial Statements

Opinion

We have audited the financial statements of Promotora de Informaciones, S.A. (the Company), which comprise the balance sheet as at 31 December 2017, and the income statement, statement of changes in equity, statement of cash flows and notes to the financial statements for the year then ended.

In our opinion, the accompanying financial statements present fairly, in all material respects, the equity and financial position of the Company as at 31 December 2017, and its results and its cash flows for the year then ended in accordance with the regulatory financial reporting framework applicable to the Company (identified in note 2.a to the financial statements) and, in particular, with the accounting principles and rules contained therein.

Basis for Opinion

We conducted our audit in accordance with the audit regulations in force in Spain. Our responsibilities under those regulations are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We are independent of the Company in accordance with the ethical requirements, including those pertaining to independence, that are relevant to our audit of the financial statements in Spain pursuant to the audit regulations in force. In this regard, we have not provided any services other than those relating to the audit of financial statements and there have not been any situations or circumstances that, in accordance with the aforementioned audit regulations, might have affected the requisite independence in such a way as to compromise our independence.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Evolution of the equity and financial structure of the Company

Description

As indicated in note 1.b to the accompanying financial statements, at 31 December 2017 the Company's equity for the purposes of the grounds for mandatory dissolution and/or capital reduction provided for in the Spanish Limited Liability Companies Law amounted to EUR 46,279 thousand, which is less than two-thirds of the share capital and, therefore, at 2017 year-end the Company was in a situation of mandatory reduction of capital. In this regard, on February 2018 has been subscribed and paid out a capital increase amounting to EUR 563,220 thousand, amount re-establishing the equity balance of the Company to date.

Additionally, as indicated in that note of the accompanying financial statements, at 31 December 2017 the Company's current liabilities were higher than its current assets, mainly due to the classification at short term of Tranche 2 of the Company's borrowings amounting to EUR 956,512 thousand, which matures in December 2018. In this context, on 22 January the Company has signed a framework refinancing agreement with all the financial creditors, which modifies the terms and conditions of the borrowings and allows the maturity thereof to be deferred.

The directors consider that this financial and equity restructuring process resolves financial situation, even though the effectiveness of the refinancing agreement is subject to certain conditions or cases of termination.

Procedures applied in the audit

The audit procedures performed in relation to the capital increase carried out by the Company included, among others, a comparison of the minutes of the Board of Directors meetings and General Meetings held to date, a request for documentation supporting the performance of the capital increase carried out after the reporting period, by means of obtaining and analysing the capital increase deed registered at the Mercantile Registry, and the obtainment and comparison of the bank statement reflecting the cash inflow amounting to EUR 563,220 thousand.

The audit procedures performed in relation to the signing of the framework refinancing agreement included, among others, obtaining and reviewing the aforementioned framework agreement entered into by the Company with all the financial creditors, as well as obtaining addenda and communications between the parties, in order to understand and assess the reasonableness of the binding nature of the agreement and to identify and assess the likelihood of the milestones and terms and conditions set forth therein being fulfilled up to the date of issue of our report in order to identify that either they have been fulfilled or their fulfilment is reasonably under the control of the Company, without there being any indication that they have not been fulfilled.

We also involved our internal legal experts in understanding and assessing certain contractual issues related to the transaction described above.

Evolution of the equity and financial structure of the Company

Description

Since the assessment of the impacts of the above-mentioned aspects implies that estimates and assumptions are made by the directors, we have considered this as a key issue in our audit.

Procedures applied in the audit

In addition, we assessed the adequacy of the disclosures provided in notes 1.b and 19 to the accompanying financial statements, in accordance with the applicable regulatory financial reporting framework, and checked whether the information disclosed is consistent with the analyses performed and the conclusions drawn by the directors.

Recoverability of deferred tax assets

Description

The balance sheet as at 31 December 2017 includes a balance of EUR 263,441 thousand relating to deferred tax assets, of which EUR 263,116 thousand correspond to tax assets of the Spanish tax group of which the Company is the head.

At 31 December 2017, the Company had an updated tax plan in order to assess the recoverability of the deferred tax assets recognised, taking into account new legislative developments and the most recently approved business plans for the various businesses.

We identified this matter as key in our audit, since the preparation of this tax plan requires a significant level of judgement, largely in connection with the projections of the performance of the businesses, which affect the estimate of the recoverability of the tax assets corresponding to the Spanish tax group.

Procedures applied in the audit

Our audit procedures included, among others, the review of the design and implementation of the controls considered relevant established by the directors for the assessment of the recoverability of the deferred tax assets recognised, as well as tests to verify that the aforementioned controls operate effectively.

Additionally, we assessed the reasonableness of the criteria followed by Company's management, including the analysis of the key assumptions used, the consistency of the actual results obtained by the various business lines compared to those projected in the tax plan of the previous year, the obtainment of evidence of the approval of the budgeted results by the Board of Directors included in the tax plan, and we conducted an independent sensitivity analysis of changes in the key assumptions, as well an evaluation of the degree of compliance with the applicable tax legislation of the accounting for the tax assets included in the tax plan.

Recoverability of deferred tax assets

Description

Procedures applied in the audit

Also, we assessed the adequacy of the disclosures provided in notes 4.g and 19 to the financial statements required in connection with this matter by the applicable regulatory financial reporting framework.

Other Information: Directors' Report

The other information comprises only the directors' report for 2017, the preparation of which is the responsibility of the Company's directors and which does not form part of the financial statements.

Our audit opinion on the financial statements does not cover the directors' report. Our responsibility relating to the information contained in the directors' report is defined in the audit regulations in force, which establish two distinct levels thereof:

a) A specific level that applies to the non-financial information statement, as well as to certain information included in the Annual Corporate Governance Report, as defined in Article 35.2.b) of Spanish Audit Law 22/2015, which consists solely of checking that the aforementioned information has been provided in the directors' report, or, as the case may be, that the directors' report contains the corresponding reference to the separate report on non-financial information as provided for in the above legislation and, if this is not the case, reporting this fact.

b) A general level applicable to the other information included in the directors' report, which consists of evaluating and reporting on whether the aforementioned information is consistent with the financial statements, based on the knowledge of the entity obtained in the audit of those financial statements and excluding any information other than that obtained as evidence during the audit, as well as evaluating and reporting on whether the content and presentation of this section of the directors' report are in conformity with the applicable regulations. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report that fact.

Based on the work performed, as described above, we have checked that the information described in section a) above is provided in the directors' report and that the other information in the directors' report is consistent with that contained in the financial statements for 2017 and its content and presentation are in conformity with the applicable regulations.

Responsibilities of the Directors and of the Audit Committee for the Financial Statements

The directors are responsible for preparing the accompanying financial statements so that they present fairly the Company's equity, financial position and results in accordance with the regulatory financial reporting framework applicable to the Company in Spain, 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.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The audit committee is responsible for overseeing the process involved in the preparation and presentation of the financial statements.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the audit regulations in force in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is included in Appendix I to this auditor's report. This description, which is on pages 7 and 8, forms part of our auditor's report.

Report on Other Legal and Regulatory Requirements

Additional Report to the Audit Committee

The opinion expressed in this report is consistent with the content of our additional report to the Company's audit committee dated 22 March 2018.

Engagement Period

The Annual General Meeting held on 30 June 2017 appointed us as auditors for a period of one year from the year ended 31 December 2016, i.e. for 2017.

Previously, we were designated pursuant to a resolution/resolutions of the General Meeting for the period of one year and have been auditing the financial statements uninterruptedly since the year ended 31 December 1990, taking into account the content of Article 17.8 of Regulation (EU)

No 537/2014 on specific requirements regarding statutory audit of public-interest entities and, therefore, since the year ended 31 December 2000, the year in which the Company became a Public Interest Entity.

DELOITTE, S.L.
Registered in ROAC under no. S0692

A handwritten signature in blue ink, appearing to be 'Jesús Mota Robledo', written over a faint grid background.

Jesús Mota Robledo
Registered in ROAC under no. 21342
22 March 2018

Appendix I to our auditor's report

Further to the information contained in our auditor's report, in this Appendix we include our responsibilities in relation to the audit of the financial statements.

Auditor's Responsibilities for the Audit of the Financial Statements

As part of an audit in accordance with the audit regulations in force in Spain, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the use by the directors of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the entity's audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the entity's audit committee with a statement that we have complied with relevant ethical requirements, including those regarding independence, and we have communicated with it to report on all matters that may reasonably be thought to jeopardise our independence, and where applicable, on the related safeguards.

From the matters communicated with the entity's audit committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

PROMOTORA DE INFORMACIONES, S.A. (PRISA)

Individual Financial Statements and Directors' Report for 2017

PROMOTORA DE INFORMACIONES, S.A. (PRISA)

Individual Financial Statements for 2017

PROMOTORA DE INFORMACIONES, S.A. (PRISA)
BALANCE SHEET AT DECEMBER 31, 2017
(in thousands of euros)

ASSETS	Year 2017	Year 2016	EQUITY AND LIABILITIES	Year 2017	Year 2016
A) NON-CURRENT ASSETS	908,769	1,318,856	A) EQUITY (Note 8)	(467,155)	(343,091)
I. INTANGIBLE ASSETS (Note 5)			A-1) Shareholders' equity	(467,218)	(343,310)
1. Computer software	254	327	I. SHARE CAPITAL	83,498	235,008
	254	327	II. SHARE PREMIUM	95,002	1,371,299
II. PROPERTY, PLANT AND EQUIPMENT (Note 6)	848	862	III. OTHER EQUITY INSTRUMENTS	46,408	130,700
1. Other fixtures and furniture	161	193	IV. RESERVES	(96,714)	122,942
2. Other items of property, plant and equipment	687	669	1. Legal and bylaw reserves	7,050	17,220
III. NON-CURRENT INVESTMENTS IN GROUP COMPANIES AND ASSOCIATES (Note 7.1)	643,232	1,033,891	2. Other reserves	(103,764)	105,722
1. Equity instruments	643,232	1,033,891	V. LOSS FROM PREVIOUS YEARS	(463,120)	(2,200,226)
IV. NON-CURRENT FINANCIAL ASSETS (Note 7.1)	994	1,175	VI. TREASURY SHARES	(694)	(1,735)
1. Equity instruments	981	1,162	VII. PROFIT (LOSS) FOR THE YEAR	(131,598)	(1,298)
2. Other financial assets	13	13	A-2) Value adjustments	83	219
V. DEFERRED TAX ASSETS (Note 9)	263,441	282,601	I. AVAILABLE-FOR-SALE FINANCIAL ASSETS (Note 7.1)	83	219
B) CURRENT ASSETS	362,011	43,945	B) NON-CURRENT LIABILITIES	738,170	1,665,489
I. NON CURRENT ASSETS HELD FOR SALE (Note 7.2)	310,309	-	I. LONG-TERM PROVISIONS (Note 12)	19,760	25,158
II. TRADE AND OTHER RECEIVABLES	5,770	2,563	II. NON-CURRENT PAYABLES (Note 7.3)	623,756	1,544,453
1. Trade receivables for services (Note 7.1)	-	61	1. Bank borrowings	623,756	1,544,453
2. Receivable from Group companies and associates (Notes 7.1 and 15)	3,516	2,260	III. NON-CURRENT PAYABLES TO GROUP COMPANIES AND ASSOCIATES (Notes 7.3 and 15)	94,626	94,171
3. Employee receivables (Note 7.1)	3	5	IV. DEFERRED TAX LIABILITIES (Note 9)	28	1,707
4. Tax receivables (Note 9)	2,061	206	C) CURRENT LIABILITIES	999,745	40,403
5. Other receivables (Note 7.1)	190	31	I. CURRENT PAYABLES (Note 7.3)	948,850	212
III. CURRENT INVESTMENTS IN GROUP COMPANIES AND ASSOCIATES (Notes 7.1 and 15)	36,217	34,296	1. Bank borrowings	948,850	212
1. Loans to companies	36,217	34,296	II. CURRENT PAYABLES TO GROUP COMPANIES AND ASSOCIATES (Notes 7.3 and 15)	34,285	23,866
IV. CURRENT FINANCIAL INVESTMENTS (Note 7.1)	6,500	4,188	III. TRADE AND OTHER PAYABLES	16,610	16,325
1. Other financial assets	6,500	4,188	1. Payable to suppliers (Note 7.3)	42	42
V. CURRENT PREPAYMENTS AND ACCRUED INCOME	1,683	1,189	2. Payable to suppliers, Group companies and associates (Notes 7.3 and 15)	347	310
VI. CASH AND CASH EQUIVALENTS	1,532	1,709	3. Sundry accounts payable (Note 7.3)	13,974	13,421
1. Cash	1,532	1,709	4. Remuneration payable (Note 7.3)	1,717	1,901
	1,532	1,709	5. Tax payables (Note 9)	530	651
TOTAL ASSETS	1,270,780	1,362,801	TOTAL EQUITY AND LIABILITIES	1,270,780	1,362,801

The accompanying Notes 1 to 20 and Appendices I and II are an integral part of the balance sheet at December 31, 2017.

Translation of financial statements originally issued in Spanish and prepared in accordance with generally accepted accounting principles in Spain (see Notes 2 and 20). In the event of a discrepancy, the Spanish-language version prevails.

PROMOTORA DE INFORMACIONES, S.A. (PRISA)
INCOME STATEMENT FOR YEAR 2017
(in thousands of euros)

	Year 2017	Year 2016
A) CONTINUING OPERATIONS		
1. Revenue		
a) Services (Note 15)	7,499	11,430
b) Income from equity investments (Note 15)	12,279	10,579
2. Other operating income	-	949
3. Staff costs		
a) Wages, salaries and similar expenses	(9,418)	(6,337)
b) Employee benefit costs (Note 10)	(606)	(804)
4. Other operating expenses		
a) Outside services (Note 10)	(16,656)	(19,762)
b) Taxes other than income tax	(64)	(8,692)
c) Impairment and other losses	(25)	5
5. Depreciation and amortization change (Notes 5 and 6)	(284)	(722)
6. Other results (Note 10)	4,634	-
PROFIT/LOSS FROM OPERATIONS	(2,641)	(13,354)
7. Finance income		
a) From loans to Group companies and associates (Note 15)	5	1,627
b) Other finance income	1,497	39,390
8. Finance costs and similar expenses:		
a) On debts to Group companies (Note 15)	(714)	(2,085)
b) On debts to third parties and similar expenses	(53,969)	(77,875)
9. Exchange differences	(246)	3
10. Impairment of financial instruments		
a) Impairment and other losses (Notes 7.1 and 12)	(2,376)	55,567
FINANCIAL LOSS (Note 11)	(55,803)	16,627
LOSS BEFORE TAX	(58,444)	3,273
11. Income tax (Note 9)	17,101	(11,419)
PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS	(41,343)	(8,146)
B) DISCONTINUED OPERATIONS (Note 7.2)	(90,255)	6,848
PROFIT/(LOSS) FOR THE YEAR	(131,598)	(1,298)

The accompanying Notes 1 to 20 and Appendices I and II are an integral part of the income statement for year 2017

Translation of financial statements originally issued in Spanish and prepared in accordance with generally accepted accounting principles in Spain (see Notes 2 and 20). In the event of a discrepancy, the Spanish-language version prevails.

PROMOTORA DE INFORMACIONES, S.A.
STATEMENT OF CHANGES IN EQUITY FOR YEAR 2017

A) STATEMENT OF COMPREHENSIVE INCOMES AND EXPENSES FOR YEAR 2017
(in thousands of euros)

	Year 2017	Year 2016
A) Profit/(Loss) per income statement	(131,598)	(1,298)
Income and expense recognized directly in equity (Note 7.1)	88	117
Arising from revaluation of financial instruments	(181)	(29)
Tax effect	45	-
B) Total income and expense recognized directly in equity	(131,734)	(1,210)
C) Total transfers to profit or loss	-	-
TOTAL RECOGNIZED INCOME AND EXPENSE	(131,734)	(1,210)

The accompanying Notes 1 to 20 and Appendix I and II are an integral part of the statement of comprehensive incomes and expenses for year 2017

PROMOTORA DE INFORMACIONES, S.A.
STATEMENT OF CHANGES IN EQUITY FOR YEAR 2017
B) TOTAL STATEMENT OF CHANGES IN EQUITY FOR YEAR 2017
(in thousands of euros)

	Share capital	Share premium	Other Equity Instruments	Legal reserve	Statutory reserves	Revaluation reserves	Reserves for treasury shares	Reserves for retired capital	Reserves for merger	Voluntary reserves	Loss from previous years	Reserves for variation in financial assets	Reserves for first-time application of the new Spanish national chart of accounts	Reserves	Treasury shares	Profit (Loss) for the year	Equity
	255,008	1,371,299	46,408	5,335	11,885	13,939	2,386	1,495	(85,639)	163,448	(2,195,064)	131	6,873	(2,075,211)	(2,386)	(5,162)	(430,044)
I. Total recognized income and expense																	
1. Profit (Loss) for the year																	
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			84,292														84,292
3. Issuance of equity instruments																	
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																	
- Other																	
III. Other changes in equity																	
- Other																	
Balance at December 31 2016	255,008	1,371,299	130,700	5,335	11,885	13,939	1,735	1,495	(85,639)	167,319	(2,200,226)	219	6,873	(2,077,065)	(1,735)	(1,298)	(943,091)
I. Total recognized income and expense																	
1. Profit (Loss) for the year																	
2. Valuation of financial instruments																	
II. Transactions with shareholders or owners																	
1. Capital increases / Decreases																	
- Share Capital																	
- Share Premium																	
2. Conversion of financial liabilities into equity			(84,292)														
3. Issuance of equity instruments																	
4. Conversion of equity instruments into shareholder's equity																	
5. Distribution of 2016 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																	
- Other																	
III. Other changes in equity																	
- Other																	
Balance at December 31 2017 (Note 8)	83,498	95,012	46,408	7,050	(11,885)	(13,939)	694	(1,495)	(85,639)	(18,819)	(465,120)	83	(6,873)	(559,751)	(694)	(131,598)	(467,135)

PROMOTORA DE INFORMACIONES, S.A.
STATEMENT OF CASH FLOW FOR YEAR 2017
(in thousands of euros)

	Year 2017	Year 2016
A) CASH FLOWS FROM OPERATING ACTIVITIES		
1. Loss for the year before tax	(58,444)	10,121
2. Adjustments for	43,808	(45,047)
a) Depreciation and amortization charge (+)	284	722
b) Impairment of non-current financial assets (+/-)	2,645	(62,710)
Impairment losses recognised for financial assets	240	(68,005)
Period provisions for contingencies and charges	2,000	5,295
Provision of credit provisions	405	-
c) Finance income (-)	(1,504)	(41,069)
d) Finance costs (+)	54,931	80,008
e) Dividends received	(12,279)	(10,579)
f) Income tax	-	(11,419)
g) Results due to disposals and disposals of financial instruments	(269)	-
3. Changes in working capital	(587)	79,784
a) Trade and other receivables (+/-)	(1,362)	1,096
b) Current prepayments and accrued income	490	1,120
c) Current financial assets	-	60,926
d) Trade and other payables (+/-)	285	(3,007)
e) Change in deferred taxes (+/-)	-	19,541
f) Change in non-current assets and liabilities (+/-)	-	108
4. Other cash flows from operating activities	8,126	(15,054)
a) Interest paid (-)	(26,596)	(29,015)
b) Dividends received (+)	12,269	10,579
c) Interest received (+)	17	4,423
d) Income tax recovered (paid) (+/-)	21,974	8,636
e) Other amounts received (paid) relating to operating activities (+/-)	462	(9,677)
5. Cash flows from operating activities (+/-1+/-2+/-3+/-4)	(7,097)	29,804
B) CASH FLOWS FROM INVESTING ACTIVITIES		
6. Payments due to investment (-)	(8,464)	(65,214)
7. Proceeds from disposal (+)	2,893	34,880
8. Cash flows from investing activities (7-6)	(5,571)	(30,334)
C) CASH FLOWS FROM FINANCING ACTIVITIES		
9. Proceeds and payments relating to equity instruments	(50)	(1,131)
10. Proceeds and payments relating to bank borrowings	-	(120,128)
11. Proceeds and payments relating to borrowings from Group companies	12,085	(127,717)
12. Proceeds and payments relating to other financing activities	456	-
13. Cash flows from financing activities (+/-9+/-10-11-12)	12,491	(248,976)
D) NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS (+/-A+/-B+/-C)	(177)	(249,506)
Cash and cash equivalents at beginning of year	1,709	251,215
Cash and cash equivalents at end of year	1,532	1,709

The accompanying Notes 1 to 20 and Appendix I and II are an integral part of the statement of cash flows for year 2017

PROMOTORA DE INFORMACIONES, S.A. (PRISA)

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR 2017

1.- COMPANY ACTIVITIES AND PERFORMANCE

a) Company activities

Promotora de Informaciones, S.A. (“Prisa”) 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 2016 were approved by the shareholders at the Annual General Shareholders’ Meeting held on June 30, 2017 and deposited in the Mercantile Register of Madrid.

The consolidated financial statements for 2017 were authorized for issue by the Company’s Directors on March 22, 2018.

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

The 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 equity and financial structure of the Company

At the end of 2017, the Company’s main financial commitment is the maturity of EUR 956,512 thousand in December 2018 (tranche 2 of the Company’s financial debt). This amount is recorded as a current liability on the balance sheet as of December 31, 2017.

During 2016, 2017 and 2018, the Company's Directors have taken a series of measures to deal with this maturity and strengthen the Company's financial and equity structure, such as capital increase and asset sale operations.

In this regards, on April 1, 2016, the Prisa Annual General Shareholders' Meeting approved the issuance of bonds mandatorily convertible into newly-issued ordinary shares through swapping the company's financial debt. The issuance was subscribed in April 2016, with debt amounting to EUR 100,742 thousands being cancelled. These bonds were early converted into shares in October 2017 (*see note 8*).

Likewise, the General Shareholders' Meeting of the Company held on November 15, 2017 approved a capital increase amounting to EUR 450,000 thousand; this amount was subsequently extended by the Board of Directors of the Prisa on January 22, 2018, in EUR 113,220 thousand. In February 2018, the capital increase was subscribed and paid out in the amount of EUR 563,220 thousand (*see notes 8 and 19*).

In addition, and in order to strengthen the financial structure of the Company, on July 13, 2017, the Board of Directors of Prisa accepted a binding offer put forward by Altice NV for the sale of Vertex SGPS, S.A. ('Vertex'), owner of Grupo Media Capital, SGPS, S.A. ('Media Capital') for an approximate price in line with the company's best estimates (equity value) of around EUR 321,499 thousand. The transaction was authorized in September 2017 by the company's financial creditors and by the Annual General Shareholders' Meeting in November. The transaction is subject to the mandatory authorization of the Portuguese competition authorities. This agreement meant an accounting loss at the Company for EUR 89,269 thousand in 2017 (*see note 7.2*).

Finally, on January 22, 2018, the company signed a framework agreement with all the financial creditors of the *Override Agreement* (Agreement for the refinancing of the Company's debt signed in December 2013) to refinance and modify the terms of Prisa's current financial debt (the Refinancing). The effectiveness of that agreement is subject to, among other conditions, debt being cancelled to EUR 450,000 thousand from proceeds arising from the capital increase described above at the time the refinancing comes into effect (*see note 7.3*). The basic terms of the Refinancing agreement include the extension of the debt maturity until November and December 2022 and no mandatory repayments until December 2020 (*see note 19*). With the entry into force of the Refinancing agreement, the Company's financial debt would therefore have a long-term maturity, which will mean an improvement in the working capital and the Company's financial structure.

In relation to the Company's financial position, mainly as a result of the accounting result of the Vertex sale agreement described above, in August 2017 the net equity of Prisa with respect to the cause of dissolution stipulated in Spain's Corporate Enterprises Act stood below half of total share capital, so the General Shareholders' Meeting of Prisa approved, on November 15, 2017 a series of reserve and share capital reductions aimed to reestablish the situation of equity balance with respect to the cause of dissolution (*see note 8*).

As of December 31, 2017, 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 (*see note 7.3*)) stood at EUR 46,279 thousand,

below two thirds of total share capital, although representing over half of share capital. In this sense, the company has an imbalanced equity situation in terms of the obligation to reduce share capital in the period of one year. In this regard, as mentioned in this section, in February 2018 a capital increase of EUR 563,220 thousand was subscribed and paid out. This amount has restored the equity balance of the Company.

Likewise, the Company's current liabilities at December 31, 2017 are higher than current assets, mainly due to the short-term classification of Tranche 2 of the Group's financial debt amounting to EUR 956,512 thousand. At December 31, 2017 the Company has a negative working capital amounting to EUR 637,734 thousand, and an amount of EUR 948,043 thousand without taking into account the non-current asset held for sale.

The Company's Directors believe that the funds from the capital increase and the framework refinancing agreement describe above will suffice to cover payment of the debts on their maturity date (*see notes 7.3 and 19*).

As a consequence of the factors set out above, the Directors have applied the going concern principle.

2.- BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS

a) Fair presentation

The accompanying financial statements for 2017, 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, approving the Spanish National Chart of Accounts, which has been modified 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 legislation.
4. Other applicable Spanish legislation.

These financial statements, which were formally prepared by the Company's directors on March 22, 2018, will be submitted for approval by the shareholders at the Annual General Shareholders' Meeting and it is considered that they will be approved without any changes. The 2016 financial statements were approved by the shareholders at the Annual General Shareholders' Meeting held on June 30, 2017.

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 2017 is shown with the figure for 2016 for comparison purposes. The notes to the financial statements also include quantitative information of the previous year, unless an accounting standard specifically establishes otherwise.

In July 2017, as a result of the agreement with Altice NV for the sale of Vertix SGPS, S.A. (*see notes 1b and 7.2*), the results of Vertix were reclassified to the caption "*Discontinued operations*". For comparative purposes, the accompanying income statement as of December 31, 2016 has been modified to present Vertix as an discontinued operation.

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 2017 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 4c, 4d and 7.1*).
- 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 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 2017, there were no significant changes in the accounting estimates made at the end of 2016.

3.- ALLOCATION OF RESULT

The proposal for the distribution of the Company's loss for 2017 approved by the Company's Directors is the following (in thousands of euros):

	Amount
Basis of appropriation- Loss for the year	(131,598)
Distribution- At loss from previous years	(131,598)

4.- ACCOUNTING POLICIES

As indicated in Note 2, the Company applied accounting policies in accordance with the accounting principles and rules contained in the Code of Commerce, developed in the valid General Chart of Accounts (PGC 2007), and other corporate legislation in force as at the closing date of these financial statements. In this sense, the policies that specifically apply to the Company's activity and those considered meaningful according to the nature of its activities are detailed below.

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 the Company reviews there is any indication that those assets might have suffered an impairment loss and, if any such indication exists, checks through the determined "impairment test" the possible existence of value losses that reduce the recoverable value of said assets to an amount lower than their book value.

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 2017 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 2017 prepared in accordance with IFRSs, are as follows:

	Thousands of euros
Total assets	1,923,079
Equity	(485,911)
Loss for the year attributed to the parent company	(102,915)

Financial assets-

The financial assets held by the Company are classified in the following categories:

- ***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.
- ***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 any commercial substance, are not equity instruments or derivatives and have fixed or determinable payments and are not traded in an active market.
- ***Held-to-maturity investments:*** securities representing debt, with fixed maturity date and collections of a determinable amount, which are traded in an active market and on which the Company expresses its intention and capacity to keep them in its possession until the expiration date.
- ***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.

Initial measurement

Financial assets are recorded, in general terms, initially at the fair value of the consideration given plus the transaction costs that are directly attributable.

In the case of investments in the equity of Group companies that grant control over the subsidiary, the fees paid to legal advisors or other professionals related to the acquisition of the investment are charged directly to the profit and loss account.

Subsequent measurement

Equity investments in Group companies, jointly controlled entities and associates

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 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

They are carried at amortized cost.

Available-for-sale financial assets

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.

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) Profit (loss) 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, when operations are classified as discontinued, 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).

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.

In application of the criterion stated by the Spanish Accounting and Auditing Institute in relation to the determination of the turnover in holding companies (answer to consultation published in its Official Gazette of September 2009), they are included as an integral part of the amount of the turnover dividends as well as the income from rendering services, from its subsidiaries.

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 recognized 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 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 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 2017 the Company has recorded an expense in this respect for EUR 905 thousand, there was no provision in 2016.

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 was registered as an equity instrument as it was

mandatory convertible into a fixed number of shares and didn't included any contractual obligation to deliver cash or another financial asset. The fair value of equity instruments to be issued was registered as an increase in equity in the line "Other equity instruments". On November 17, 2017 it has been convertible into shares (see note 8).

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.

p) Non-current Assets held for sale

The Company recognizes a non-current asset or disposal group as held for sale when it intends to sell it and it expects to realize the asset within twelve months.

These assets or disposal groups are measured at the lower of their carrying amount and fair value less costs to sell.

Non-current assets held for sale are not amortized, but at each balance sheet date the company re-measures the non-current asset so that the carrying amount does not exceed fair value less costs to sell.

Any gain or loss on the remeasurement of a non-current asset or disposal group classified as held for sale that does not meet the definition of a discontinued operation shall be included in profit or loss from continuing operations as appropriate.

q) Leases

Leases are classified as finance leases whenever it is inferred from the conditions thereof that the risks and benefits inherent to the ownership of the asset object of the contract are substantially transferred to the lessee. The other leases are classified as operating leases.

Operating leases

Expenses derived from operating lease agreements are charged to the profit and loss account in the year in which they are accrued.

Any collection or payment that could be made when contracting an operating lease, will be treated as a prepayment or payment that will be charged to income over the period of the lease, as the benefits of the leased asset are ceded or received.

5.- INTANGIBLE ASSETS

The transactions performed in 2017 in the various intangible asset accounts and the related accumulated amortization are summarized as follows (in thousands of euros):

2017

	Balance at 12/31/2016	Additions	Balance at 12/31/2017
Cost			
Industrial property	60	-	60
Computer software	21,003	172	21,175
Total cost	21,063	172	21,235
Accumulated amortization			
Industrial property	(60)	-	(60)
Audiovisual rights	(20,676)	(245)	(20,921)
Total accumulated amortization	(20,736)	(245)	(20,981)
Total intangible assets, net	327	(73)	254

At December 31, 2017, the Company's fully amortized intangible assets in use amounted to EUR 20,919 thousand (December 31, 2016: EUR 18,127 thousand)

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

2016

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

	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

6.- PROPERTY, PLANT AND EQUIPMENT

The transactions performed in 2017 in the various property, plant and equipment accounts and the related accumulated depreciation are summarized as follows (in thousands of euros):

2017

	Balance at 12/31/2016	Additions	Transfers	Balance at 12/31/2017
Cost				
Other fixtures and furniture	493	-	(12)	481
Other items of property, plant and equipment	1,018	25	-	1,043
Total cost	1,511	25	(12)	1,524
Accumulated depreciation				
Other fixtures and furniture	(300)	(32)	12	(320)
Other items of property, plant and equipment	(349)	(7)	-	(356)
Total accumulated depreciation	(649)	(39)	12	(676)
Total property, plant and equipment, net	862	(14)	-	848

At December 31, 2017, the Company's fully depreciated property, plant and equipment in use amounted to EUR 519 thousand (December 31, 2016: EUR 499 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.

2016

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):

	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

7. FINANCIAL INSTRUMENTS

7.1- FINANCIAL ASSETS

The detail of “*Financial assets*” in the balance sheets at December 31, 2017 and 2016, based on the nature of the transactions, is as follows:

Classes	Thousands of euros							
	Non-current				Current		Total	
	Equity instruments		Loans, derivatives and other		Loans, derivatives and other			
	12/31/17	12/31/16	12/31/17	12/31/16	12/31/17	12/31/16	12/31/17	12/31/16
Group companies and associates	643,232	1,033,891	-	-	39,733	36,556	682,965	1,070,447
Held-to-maturity investments	-	-	13	13	6,500	4,188	6,513	4,201
Loans and receivables	-	-	-	-	193	97	193	97
Financial assets available for sale	981	1,162	-	-	-	-	981	1,162
Total	644,213	1,035,053	13	13	46,426	40,841	690,652	1,075,907

Equity investments in Group companies and associates

The transactions performed in 2017, in this category of financial assets, are summarized as follows (in thousands of euros):

2017

	Balance at 12/31/2016	Additions	Reversals	Transfers	Disposals	Balance at 12/31/2017
Cost						
Investments in Group companies	1,700,010	9,266	-	(639,061)	(248,156)	822,059
Prisa Brand Solutions, S.L.U.	48,080	-	-	-	-	48,080
Promotora de Emisoras, S.L.	52,242	-	-	-	-	52,242
Promotora de Emisoras de Televisión, S.A.	106,516	-	-	-	-	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
Audiovisual Sport, S.L.	248,062	-	-	-	(248,062)	-
Prisa Audiovisual, S.L.U.	3	1,786	-	-	-	1,789
Prisa Gestión de Servicios, S.L.	3	-	-	-	-	3
Prisa Participadas, S.L.U.	508,908	7,480	-	-	-	516,388
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	1,701,186	9,266	-	(639,061)	(248,156)	823,235
Impairment losses						
In Group companies	(666,161)	(4,879)	406	243,614	248,156	(178,864)
Prisa Brand Solutions, S.L.U.	(38,293)	(542)	-	-	-	(38,835)
Promotora de Emisoras, S.L.	(28,907)	-	246	-	-	(28,661)
Promotora de Emisoras de Televisión, S.A.	(102,891)	-	125	-	-	(102,766)
Diario El País México, S.A. de C.V.	(898)	-	35	-	-	(863)
Promotora General de Revistas, S.A.	(2)	-	-	-	-	(2)
Audiovisual Sport, S.L.	(248,062)	-	-	-	248,062	-
Prisa Audiovisual, S.L.U.	(3)	-	-	(1,786)	-	(1,789)
Prisa Gestión de Servicios, S.L.	-	(3)	-	-	-	(3)
Prisa Participadas, S.L.U.	(5,931)	-	-	-	-	(5,931)
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.	(241,160)	(4,240)	-	245,400	-	(1,139)
In associates	(1,134)	(5)	-	-	-	(1,139)
Total impairment losses	(667,295)	(4,884)	406	243,614	248,156	(180,003)
Net Value	1,033,891	4,382	406	(395,447)	-	643,232

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 2017 which gave rise to the aforementioned changes are as follows:

Additions and transfers

In June 2017, a partner contribution was made for the amount of EUR 1,786 thousand to Prisa Audiovisual, S.L. (Sole proprietorship) with the aim of re-establishing this company's equity balance transferring the provision for third-party liability to the stake's impairment for de same amount.

In July 2017, as a result of the binding offer accepted for the sale of Vertex S.G.P.S., S.A, owner of Grupo Media Capital, SGPS, S.A. ("Media Capital") (see notes 1.b and 7.2), the Company has reclassified its share to the category of "Non-current assets held for sale".

Disposals

In July 2017, a non monetary contribution was made to Prisa Participadas, S.L.(Sole proprietorship) involving 100% of the shares owned by Prisa in the company Audiovisual Sport, S.L., with a carrying amount of EUR 0 thousand. The contributions have been posted at consolidated values, as set out in applicable accounting regulations, which has generated a positive impact of EUR 7,480 thousand to reserves (see *Note 8*).

2016

The transactions performed in 2016, in this category of financial assets, were 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 most significant operations that took place in 2016 which gave rise to the aforementioned changes 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. (Sole proprietorship) was 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., 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. (Sole proprietorship) 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. (Sole proprietorship) involving 100% of the shares owned by Prisa in the company PrisaPrint, 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. (Sole proprietorship) 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 non-monetary contributions to the company Prisa Participadas, S.L. (Sole proprietorship) was posted at consolidated values, as set out in applicable accounting regulations, which generated a positive impact of EUR 6,117 thousand to reserves.

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 net book value.

The recoverable amount of each stake is the higher of fair value net selling price and value in use. Unless there is better evidence of the recoverable amount, the net equity of the investee is taken into consideration, corrected for the unrealized gains existing on the valuation date (including goodwill, if any).

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.

According to the estimates and projections available to the Directors, the cash flow forecasts attributable to the different cash generating units allow the net book value recorded as of December 31, 2017 to be recovered.

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 8.5% 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 from 8.5% to 10.5% and the growth rate used is from 0% to 1% (from 8.5% to 10.5% and from 0% to 1% respectively in 2016). During 2016 the impairment corresponding to this investment was totally cancelled for EUR 53,661 thousand.

In accordance with these assumptions the recoverable value of Prisa Noticias, S.L. is higher than its book price.

Prisa Participadas, S.L. (Sole proprietorship)

In order to determine the value in use of the business of Prisa Participadas, the Management has based itself on the estimated value of its main assets: Santillana and Prisa Radio.

In Santillana, for cash flow projections, the Management has taken into account the growth in revenues according to the regular and institutional sale cycle of books in each of the countries in which it operates, for all periods except for the years of low public sale cycle of Brazil (2018 and 2021), where a slight decrease is projected. The Management estimates that expenses will be in line with revenue growth (except in the years 2018 and 2021, when they decrease). The Management estimates that Santillana will continue to progressively improve its business margins thanks to improvement in efficiency and review of the operational model.

In Radio, for cash flow projections, the Management considered there will be an increase in advertising revenue, based on the market forecast and on the macroeconomic environment, but also and takes into account growth opportunities in each of the countries where Prisa Radio operates. The Management estimates that expenses will be in line with revenue growth, but efficiencies need to be implemented so as to improve yearly business profitability.

The discount rate used for Santillana is from 8.5% to 10.5%. The discount rate used for Prisa Radio is from 8.5% to 10.5%. The growth rate used is from 0% to 2.5% in both business.

In accordance with these assumptions the recoverable value of Prisa Participadas, S.L. (Sole proprietorship) is higher than its book price.

Available-for-sale financial assets

This heading includes Prisa's stake in Mediaset España Comunicación, S.A., which at December 31, 2017 represents 0.031% of this company's equity for a value of EUR 981 thousands.

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 (EUR 9.36) to calculate the fair value of this investment at December 31, 2017 (EUR 11.15 at December 31, 2016). The decrease in fair value of EUR 181 thousand was recognised directly in the Company's equity net of tax.

Current investments in Group companies and associates

This epigraph 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 EUR 2,324 thousand at December 31, 2017 (EUR 4,718 thousand at December 31, 2016). In addition, at December 31, 2017, this caption includes the tax account receivable with the Spanish Tax Group companies as a result of the liquidation of the consolidated Corporate tax for the sum of EUR 33,893 thousand at December 31, 2017 (EUR 29,578 thousand at December 31, 2016).

Held-to-maturity investments

At December 31, 2017, Promotora de Informaciones, S.A. recognised an amount of EUR 6,500 thousand under this heading corresponding to banks deposits constituted.

At December 31, 2016, Promotora de Informaciones, S.A. had recognised an amount of EUR 4,188 thousand under this heading corresponding mainly to deposit with reference to a dispute with Indra Sistemas, S.A.

7.2.- NON-CURRENT ASSETS HELD FOR SALE

Under this heading is registered the participation of the Company in Vertix S.G.P.S., S.A. as a result of the purchase agreement signed between Prisa and Altice NV., described below, to met the requirements of the Spanish National Chart of Accounts that those assets are classified as non -current assets held for sale.

	Thousand euros
Vertix S.G.P.S., S.A.	310,309
Total	310,309

On July 13, 2017, the Board of Directors of Prisa has agreed to accept the binding offer submitted by Altice NV for the whole stake that Prisa has in Vertix S.G.P.S., S.A. at an enterprise value of EUR 440,000 thousand.

Afterwards, the parties have executed a share purchase agreement by means of which Prisa will transfer to MEO - Serviços de Comunicação e Multimédia, S.A., Altice's affiliate, its entire stake in Vertix S.G.P.S., S.A., which represents 100% of its share capital and 94.69% of Media Capital.

The final price of the transaction is subject to the usual adjustments in this kind of operations. This transaction, net of the estimated costs to sell, has meant an accounting loss in July 2017 of EUR 85,587 thousand, which includes impairment of the participation amounting to EUR 4,240 thousand during the first few months of 2017 through to the signing of the agreement, as well as a withdrawal of tax credits amounting to EUR 1,678 thousand. As a result, the Company has reclassified its share in Vertix SPGS, S.A. from the category of "Equity Instruments" to "*Non-current assets held for sale*".

The transaction was authorised in September 2017 by the company's financial creditors and in November by the Annual General Shareholders' Meeting. The execution of the transaction is subject to the obtaining of the required authorization of the antitrust and regulatory authorities in Portugal.

At 31 December 2017, The Company considers that, according to its most reasonable estimate, the price for Prisa's stake in Media Capital, after calculating those adjustments, would be around EUR 318,784 thousand ("equity value"), without costs to sell, considering a net costs value of EUR 310,309 thousand. For this reason the Company has recorded an additional impairment of EUR 3,682 thousand, which represents a total accounting loss in the financial statements of the Company of EUR 89,269 thousand at December 31, 2017, registered under "Loss after tax from discontinued operations" of the income statement corresponding of 2017. The final price will depend on the evolution of Media Capital until the date on which the sale is closed.

7.3. 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	12/31/17	12/31/16	12/31/17	12/31/16	12/31/17	12/31/16	12/31/17	12/31/16	12/31/17	12/31/16
Loans and payables	623,756	1,544,453	-	-	948,850	212	15,733	15,364	1,588,339	1,560,029
Group companies and associates	-	-	94,626	94,171	-	-	34,632	24,176	129,258	118,347
Total	623,756	1,544,453	94,626	94,171	948,850	212	50,365	39,540	1,717,597	1,678,376

Bank borrowings

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

2017

	Maturity Date	Limit	Draw down amount maturing at short term	Draw down amount maturing at long term
Syndicated Loan Tranche 2	dec-2018	956,512	956,512	-
Syndicated Loan Tranche 3	dec-2019	181,471	-	181,471
Participative Loan (PPL)	dec-2019	450,922	-	450,922
Interest and others	2018-2019	-	142	834
Loan arrangement costs	dec-2019	-	(7,804)	(9,471)
Total		1,588,905	948,850	623,756

2016

	Maturity Date	Limit	Draw down amount maturing at short term	Draw down amount maturing at long term
Syndicated Loan Tranche 2	dec-2018	956,512	-	956,512
Syndicated Loan Tranche 3	dec-2019	176,985	-	176,985
Participative Loan (PPL)	dec-2019	439,775	-	439,775
Interest and others	2017-2019	-	212	810
Loan arrangement costs	dec-2019	-	-	(29,629)
Total		1,573,272	212	1,544,453

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 1,548,364 thousand at December 31, 2017, 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 tranches). This way, the Company's debt is valued at a 2.61% 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. In May 2015, Prisa paid off Tranche 1 fully.

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, structuring its debt in two tranches (Tranche 2 and Tranche 3):

Tranche 2-

Tranche 2 of the debt, at December 31, 2017 set at EUR 956,512 thousand, has a Euribor-indexed cost plus a negotiated margin with the lenders. Tranche 2 matures in December 2018.

Tranche 3-

Tranche 3 matures in 2019 and its cost is a margin negotiated with lenders, as well as a fixed cost that may be capitalized (PIK).

As of December 31, 2017, the Tranche 3 amount totalled EUR 181,471 thousand.

Participating Loan (PPL)-

The Participating Loans were constituted to re-establish the equity balance at Prisa after recording losses from the sale of DTS, Distribuidora de Televisión Digital, S.A. As set out in the Group finance agreements, the mechanism was used to automatically convert part of Tranche 3 of debt into participating loans.

As of December 31, 2017, the Company's Participating Loans stood at EUR 450,922 thousand. The financial cost is the same as for Tranche 3.

As stated in notes 1 and 19, as of January 22, 2018, the Company had signed a framework agreement with all the financial creditors of the *Override Agreement* (Agreement for the refinancing of the Company's debt signed in December 2013) to refinance and modify the terms of Prisa's current financial debt (Refinancing framework agreement), which implies, the extension of the maturity of the debt until November and December 2022 and no mandatory repayments until December 2020, once a payment of EUR 450,000 thousand has been made with the funds obtained from the capital increase approved in the General Shareholders' Meeting of the Company held on November 15, 2017 described in the note 1b. The initial cost of the refinanced debt will be Euribor plus a margin of 4%.

Other aspects of the debt-

Compliance with certain financial ratios is established in the financial agreements. The Company's Directors consider that these ratios were fulfilled at December 31, 2017.

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 the PPL is as follows:

Personal guarantees

Tranches 2, 3 and the PPL of Prisa's debt, corresponding the debt refinanced in December 2013, are jointly guaranteed by the Group companies Bidasoa Press, S.L., Prisaprint, S.L. (after the liquidation of Dédalo Grupo Gráfico, S.L. in December 2017, as set out in note 3), Diario El País, S.L., Distribuciones Aliadas, S.A., Grupo de Medios Impresos y Digitales, S.L. (Sole proprietorship), Norprensa, S.A. and Prisa Participadas, S.L. (Sole proprietorship).

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

- The guarantee granted by Prisa Radio, S.A. will be limited to a maximum amount equal to the lower of the following:
 - o EUR 1,314,706 thousand
 - o 73.49% of its equity at any time
- 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. (currently Prisaprint, S.L.), Norprensa, S.A. and Distribuciones Aliadas, S.A. pledged certain properties and receivables related to certain material contracts to guarantee 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 Prisa's 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 the PPL.

Lastly, a pledge on certain properties and receivables was also granted to the creditors of the financing for Dédalo Grupo Gráfico, S.L. (dissolved and liquidated in December 2017).

Payable to Group companies and associates

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

2017

	Non-current	Current
Investment tax credits	32,134	-
Other payables	62,492	7,624
Cash pooling	-	26,661
Total	94,626	34,285

2016

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

Other non-current payables-

Corresponds to the participating loan granted by its subsidiary Prisa Participadas, S.L. (Sole proprietorship) for EUR 62,492 thousand at December 31, 2017 and 2016 with maturity date February 28, 2019.

Other current payables-

This heading includes the tax account payable to the Spanish Tax Group companies for the liquidation of the consolidated Corporate tax for EUR 7,624 thousand (EUR 7,404 thousand at December 31, 2016).

Investment tax credits-

This headings 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, 2017, this heading included EUR 26,661 thousand of balances and interest payable to Prisa Participadas S.L. (Sole proprietorship) arising from the above-mentioned cash pooling. (EUR 16,462 thousand at December 31, 2016).

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 January 29, 2016, in relation to the average period of payment to suppliers in commercial operations, is as follows.

	2017	2016
	<i>Days</i>	<i>Days</i>
Average payment period to suppliers	64	68
Ratio paid operations	67	62
Ratio of outstanding payment transactions	37	102
	<i>Amount (thousands of euros)</i>	
Total payments	24,910	23,862
Total outstanding payments	2,971	3,715

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 "Payable to suppliers", "Payable to suppliers, Group companies and associated" 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 by default 30 days, and 60 days maximum if particular conditions are met with suppliers.

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.

7.4- NATURE AND RISK OF THE FINANCIAL INSTRUMENTS

Liquidity and Credit Risk-

The adverse macroeconomic situation, with significant drops in advertising and circulation has had a negative impact on the ability of the Company's cash generation through its subsidiaries 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 Company.

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

Additionally, the Company analyzes on a recurrent basis other financing sources to cover short and medium term liquidity needs. However, at December 31, 2017, the Company still maintains a net bank debt level of EUR 1,564,574 thousand.

Interest rates risk exposure-

Approximately 60.22% of its bank borrowings terms are at variable interest rates, and therefore the Company is exposed to fluctuations in interest rates. Currently the Company has no interest rate hedges arrangements.

Fluctuations in foreign exchange rates-

The Company 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.

8- EQUITY

The detail of the transactions recognized under “Equity” at December 31, 2017 and in 2016 is summarized in the attached statement of changes in equity.

Share capital

On January 1, 2017, the share capital of Prisa amounted to EUR 235,007,874 and was represented by 78,335,958 ordinary shares with a nominal value of EUR 3.00 each. During 2017 the following operations have been carried out and have modified the share capital of Prisa:

a) In execution of the resolutions passed at the Extraordinary Shareholders' Meeting held on November 15, 2017, the following share capital reductions have been carried out:

- Share capital reduction in the amount of EUR 154,321,837.26, that is, from EUR 235,007,874 to EUR 80,686,036.74, through the reduction of the par value of each of

the 78,335,958 ordinary voting shares, from to EUR 3.00 to EUR 1.03 per share, with the purpose to restore the balance between Company's share capital and equity, which has decreased as a consequence of the accumulation of losses from prior periods.

- Share capital reduction in the amount of EUR 7,050,236.22, that is, from EUR 80,686,036.74 to EUR 73,635,800.52, through the reduction of the par value of each of the 78,335,958 ordinary voting shares in the amount of EUR 0.09, that is, from EUR 1.03 per share to EUR 0.94 per share, with the purpose to increase Company's legal reserves.

b) On November 17, 2017, it has been formalized a public deed executing the share capital increase necessary to attend the early conversion of the bonds issued by resolution of the Ordinary General Shareholders' Meeting held on April 1, 2016, requested by all the bondholders, in accordance with the terms and conditions of the conversion, and through which 10,491,405 new shares of PRISA have been issued and all the aforementioned bonds have been amortized, as their total conversion has been requested.

The issuance of the bond was registered as an equity instrument as it is mandatory convertible into a fixed number of shares and didn't included no contractual obligation to deliver cash or another financial asset.

As a result, as of December 31, 2017, share capital of Prisa amounts to EUR 83,497,721.22 and is represented by 88,827,363 ordinary shares, all belonging to the same class and series, with a nominal value of EUR 0.94 each, and numbered correlatively from 1 to 88,827,363.

Warrants 2013 have not been exercise by its owners. On December 31, 2017, 778,200 warrants were pending of exercise.

Share capital is fully subscribed and paid out.

After the closing of 2017, in February 2018, the capital increase was subscribed in an amount of EUR 563,220 thousand, agreed at an amount of EUR 450,000 thousand at the General Shareholders' Meeting on November 15, 2017 and, subsequently, expanded by the Board of Directors of Prisa on January 22, 2018, for EUR 113,220 thousand.

On December 31, 2017, 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, Fundación Bancaria Caixa D'Estalvis I Pensions de Barcelona/ Caixabank, S.A, 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 (applying an exchange ratio of 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)	-	16,043,730	18.06
RUCANDIO, S.A. (3)	-	13,729,811	15.46
TELEFONICA, S.A.	10,228,745	-	11.52
INTERNATIONAL MEDIA GROUP, S.A.R.L (4)	6,400,000	-	7.20
GHO NETWORKS, S.A. DE CV (5)	-	6,297,076	7.09
HSBC HOLDINGS PLC	-	12,827,135	14.44
BANCO SANTANDER, S.A. (6) (7)	1,074,432	2,172,434	3.66
FUNDACION BANCARIA CAIXA D ESTALVIS I PENSIONS DE BARCELONA (6)	-	2,997,879	3.37
NICOLAS BERGGRUEN (8)	6,115	947,433	1.07

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	OVIEDO HOLDING, S.A.R.L.	1,431,471
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	12,827,135
BANCO SANTANDER, S.A.	SOCIEDADES GRUPO SANTANDER	2,172,434
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, 2017 (i.e. 88,827,363 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 Oviedo Holdings Sarl, Amber Active Investors Limited and Amber Global 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 (7.08%) voting rights held by Occher, 6,140,576 (6.91%) 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 15.46% over the total voting rights of the Company, which is indirectly held by Rucandio, includes the 6.91% 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, 2017, 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 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) In addition to the voting rights that are reflected in the above tables, some companies whose dominant entity is Santander, S.A. and Caixabank, S.A. subscribed 1,001,260 and 1,001,263 shares, respectively, within the framework of the capital increase for the conversion of Prisa bonds mandatorily convertible into new ordinary shares, which were issued in 2016, and which carried the same number of voting rights as those corresponding to the ordinary shares of the company (for more information, see "*Issuance of financial instrument*").

(7) 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., and Suleyado 2003, S.L.

(8) 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 was subscribed in April 2016 and it was 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 issuance of the bond was registered as an equity instrument as it was mandatory convertible into a fixed number of shares and included no contractual obligation to deliver cash or another financial asset. During 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 was taken as a reference.

The maturity date of the bonds was 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 EUR 10 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. From January 1, 2017 to the conversion date the accrued coupon amounted to EUR 2,222 thousand.

On November 17, 2017 the conversion request was executed by means of a public deed, carried out by the company creditors as at October 31, 2017, for the total bonds issued through new shares for EUR 104,914 thousand (EUR 100,742 thousand correspond to the principal and EUR 4,172 thousand to interests accrued as of the conversion date). (*see note "Share Capital"*).

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 main changes during 2017 are the following:

- In execution of the resolutions passed at the Extraordinary Shareholders' Meeting held on November 15, 2017, the share premium has been reduced in order to compensate loss for previous years for the amount of EUR 1,371,299 thousand.
- Additionally, at November 17, 2017 it has been formalized a public deed executing the share capital increase necessary to attend the early conversion of the bonds issued by resolution of the Ordinary General Shareholders' Meeting held on April 1, 2016, requested by all the bondholders, in accordance with the terms and conditions of the conversion, and through which 10,491,405 new shares of PRISA, with an associated share premium of EUR 95,052 thousand.

Pursuant to these changes and their associated costs the amount of the share premium at December, 31, 2017 is EUR 95,002 thousand and is available in full (EUR 1,371,299 thousand at December, 31, 2016).

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" at December 31, 2016, being unrestricted.

During 2017, in execution of the resolutions passed at the Extraordinary Shareholders' Meeting held on November 15, 2017, it has proceeded to compensate loss for previous years with the whole of this reserve for the amount of EUR 3,289 thousand.

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 December 31, 2016 amounted to EUR 10,650 thousand and has been unrestricted since January 1, 2007.

During 2017, in execution of the resolutions passed at the Extraordinary Shareholders' Meeting held on November 15, 2017, it has proceeded to compensate loss for previous years with the whole of this reserve for the amount of EUR 10,650 thousand.

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.

During 2017, in execution of the resolutions passed at the Extraordinary Shareholders' Meeting held on November 15, 2017, it has proceeded to compensate loss for previous years with the whole of this reserve for the amount of EUR 5,335 thousand. Likewise, the legal reserve has also been increased through a share capital reduction for the amount of EUR 7,050 thousand (see note "*Share Capital*").

This way the balance of this account at December 31, 2017 amounts to EUR 7,050 thousand (EUR 5,335 thousand at December 31, 2016).

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 694 thousand (at December 31, 2016, EUR 1,735 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 December 31, 2016 amounted to EUR 11,885 thousand.

During 2017, in execution of the resolutions passed at the Extraordinary Shareholders' Meeting held on November 15, 2017, it has proceeded to compensate loss for previous years with the whole of this reserve for the amount of EUR 11,885 thousand.

Voluntary reserves-

In the financial year 2017 the changes in this account were mainly as follows:

- Increase of EUR 7,480 thousand due to a non-monetary contribution to Prisa Participadas, S.L. (sole proprietorship) from Audiovisual Sport, S.L. (see note 7.1).
- Reduction of the annual interest accrued by the bond compulsorily convertible into shares up to the conversion request, in the amount of EUR 2,222 thousand (see note 8).
- In execution of the resolutions passed at the Extraordinary Shareholders' Meeting held on November 15, 2017, it has proceeded to compensate loss for previous years with the whole of this reserve for the amount of EUR 173,203 thousand.

- As a result of the conversion of the bond compulsorily convertible into shares and of the finance income of EUR 18,401 thousand, reported in the accompanying 2016 income statement when reporting the transaction at the fair value of the settled liability, in 2017 there was a reduction in the voluntary reserves of EUR 18,401 thousand.

The balance at December 31, 2017 of this item amounts to a negative amount of EUR 18,819 thousand (EUR 167,319 thousand positive at December 31, 2016).

Otras reserves-

During 2017, in execution of the resolutions passed at the Extraordinary Shareholders' Meeting held on November 15, 2017, it has proceeded to compensate loss for previous years with the whole of the "Reserves for redeemed capital" for the amount of EUR 1,495 thousand and "PGC first application reserves" for the amount of EUR 6,873 thousand.

In addition, the Company has a "Merger Reserve" for a negative amount of EUR 85,639 thousand arising as a result of the merger by absorption in 2013 between the Company and Prisa TV, S.A.U.

The "Loss from previous years", as a result of the operations described in previous paragraphs of this same note to offset losses, has decreased in 2017 for a total amount of EUR 1,738,404 thousand.

Treasury shares

The changes in "Treasury shares" in 2017 and 2016 were as follows:

	Year 2017		Year 2016	
	Number of shares	Amount (thousand of euros)	Number of shares	Amount (thousand of euros)
At beginning of year	330,407	1,735	457,037	2,386
Deliveries	(59,682)	(366)	(126,630)	(777)
Reserve for treasury shares	-	(675)	-	126
At end of year	270,725	694	330,407	1,735

At December 31, 2017, Promotora de Informaciones, S.A. held a total of 270,725 treasury shares, representing 0.305% of its share capital.

Treasury shares are valued at market price at December 31, 2017 (EUR 2.565 per share). Their total cost is EUR 694 thousand.

At December 31, 2017, 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 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 section "Issuance of financial instrument"*).

Also, in 2015, Prisa consolidated and exchanged shares (1 for 30) 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). This agreement establishes commitments to maintain leverage ratios and interest cover at specific levels (*see note 7.3*).

Since the signing of the refinancing agreement in 2013, 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 through the issuance of bonds mandatorily convertible into shares via the exchange of financial debt and issued in 2016 and finally converted into shares in 2017.

In addition, in 2017 Prisa's Board of Directors accepted a binding offer for the sale of Media Capital (*see note 1b*), the proceeds from which, where appropriate, will be used to pay down debt.

Also, the General Meeting of Prisa Shareholders' held on 15 November 2017 agreed a series of capital reductions and reserves aimed at adapting the Company's equity structure. These reductions were applied in November 2017. It also agreed a capital increase for EUR 450,000 thousand and, subsequently, expanded by the Board of Directors of Prisa on January 22, 2018, for EUR 113,220 thousand. In February 2018, the capital increase was subscribed and paid out in an amount of EUR 563,220 thousand (*see section "Share Capital" and note 19*).

Lastly, as of January 22, 2018, the Company had signed a framework agreement with all the financial creditors of the Override Agreement to refinance and modify the terms of Prisa's current financial debt (Refinancing framework agreement). The effectiveness of this

agreement is subject, among other conditions, to the cancellation of a debt of EUR 450,000 thousand with the funds from the cash capital increase, described above, at the time of the entry into force of the Refinancing agreement (*see section "Share Capital" and note 19*).

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	
	2017	2016
Sum of individual tax bases	(152,067)	95,676
Offset of tax losses arising prior to inclusion in the Group	-	(3,742)
Offset of Group tax losses	-	(65,013)
Consolidated taxable profit	(152,067)	26,921
Consolidated gross tax payable	-	6,730
Double taxation tax credits generated	(1,123)	(3,365)
Investment tax credits	-	(841)
Donations tax credits	-	(1,490)
Net tax payable	-	1,034
Withholdings from tax group	(32)	(85)
Advance payments	-	(949)
Income tax refundable	(32)	-

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 2017 and 2016 is as follows (in thousands of Euros):

	2017			2016		
	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	(131,598)	(38)	(131,636)	(1,298)	(438)	(1,736)
Income tax *	(22,553)	(13)	(22,566)	(20,336)	(146)	(20,482)
Withholding *	1	-	1	-	-	-
Adjustment of prior years' income tax *	(4,272)	-	(4,272)	(6,245)	-	(6,245)
Derecognition of tax credits *	9,723	-	9,723	38,000	-	38,000
Individual permanent differences *	58,487	-	58,487	(85,503)	-	(85,503)
Individual temporary differences *	39,361	-	39,361	76,787	-	76,787
Taxable profit	(50,851)	(51)	(50,902)	1,405	(584)	821

*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 an increase of EUR 2,241 thousand, (ii) a negative adjustment of the exemption of dividends, for EUR 12,225 thousand, to which article 21 of the Spanish Corporation Tax Law applies, (iii) a negative adjustment of the tax merger difference corresponding to 2017 (for EUR 19,294 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 positive adjustment for the contributions made to non-profit organizations for EUR 264 thousand, which generated an expense not deductible from the taxable profit, (v) the different accounting and tax criteria of certain redundancy payments, which represent an increase of EUR 1,968 thousand, (vi) the positive adjustment affected by losses from the agreement signed by and between Prisa and Alice NV., to sale the holding in Vertix S.G.P.S., S.A, included under note 7.2 of these Notes to the Financial Statements, and the different accounting and tax criteria of certain expenses related thereof, which globally amount to EUR 89,073 thousand and (vii) 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 150 thousand.

The temporary differences originate mainly from (i) 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 33,420 thousand and (ii) the differing accounting and tax recognition criteria resulting from the derecognitions generated 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 6,126 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 2016 for the amount of EUR 1,458 thousand and the recording of the execution, by the Tax Authority of the decision of the National Appellate Court of May 5, 2016, concerning the Tax Audit for the 2003-2005 consolidated corporate tax for the amount of EUR 2,814 thousand.

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):

	2017			2016		
	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 (*)	(148,699)	(51)	(148,750)	10,121	(584)	9,537
Rate os 25%	(37,175)	(13)	(37,188)	2,530	(146)	2,384
Individual permanent differences on consolidation	14,622	-	14,622	(21,376)	-	(21,376)
Impact of temporary differences	9,840	-	9,840	19,197	-	19,197
Donations tax credits	-	-	-	(1,490)	-	(1,490)
Current Income tax	(12,713)	(13)	(12,726)	(1,139)	(146)	(1,285)
Deferred income tax	(9,840)	-	(9,840)	(19,197)	-	(19,197)
Adjustment of prior years income tax	(4,272)	-	(4,272)	(6,245)	-	(6,245)
Loss of tax credits	9,723	-	9,723	38,000	-	38,000
Withholdings	1	-	1	-	-	-
Total income tax	(17,101)	(13)	(17,114)	11,419	(146)	11,273

* Including "Profit (or loss) from discontinued operations, net of tax"

Tax receivables and tax payables

The detail of the balances with Tax Receivables at December 31, 2017 is as follows (in thousands of Euros):

	Receivable		Payable	
	Current	Non-current	Current	Non-current
Income tax refundable/payable	1,862	-	-	-
Deferred tax assets arising from unused tax credits	-	70,290	-	-
Deferred tax assets arising from negative tax losses upon tax consolidation	-	67,486	-	-
Deferred tax assets arising from temporary differences	-	125,665	-	-
Deferred tax liabilities	-	-	-	28
VAT, personal income tax withholdings, social security taxes and other	199	-	530	-
Total	2,061	263,441	530	28

The detail of the balances with Tax Authorities at December 31, 2016 was 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

Deferred tax assets and liabilities

Deferred tax assets-

The pending long-term credit vis-à-vis the Tax Authorities for an amount of EUR 263,441 thousand at December 31, 2017, 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 an addition of EUR 1,193 thousand.

- (ii) The taxable losses of the Consolidated Tax Group for the financial years 2011, 2012, 2013 and 2017, which are pending application. Net variation in this respect for the year has entailed a withdrawal of EUR 21,078 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 4,260 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. The variation in this respect for the year has entailed a complete withdrawal of EUR 3,448 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	108,053	516
2012	136,220	89,946
2013	22,514	32,992
2015	-	553,992
2017	3,156	148,911
TOTAL	269,943	826,357

After carrying out the recoverability analysis at the tax group, tax credits for non-deductible financial charges of EUR 3,116 thousand were derecognised, recorded as an increase in Corporate Tax costs in the company and to negative tax bases of the fiscal consolidation group amounting to EUR 22,224 thousand (recorded in the Company as a higher expense for Corporate Tax of EUR 6,607 thousand, and as an expense in the other companies of the fiscal consolidation group of EUR 15,617 thousand).

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, 2017 according to the criteria laid down in the accounting regulation.

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)
2022	-	2,213
2023	-	5,722
2024	202	7,383
2025	13,742	17,823
2026	4,483	6,474
2027	175	3,973
2028	6,501	3,139
2029	1,531	19,209
2030	1,216	3,580
2031	527	1,647
2032	37	45
2033	-	85
2034	-	1,164
No Limits	41,876	10,065
TOTAL	70,290	82,522

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 and the estimated future cash flows obtained from the remaining companies not members of the consolidated tax Group.

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 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 and the operating plans to sell non-strategic assets 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.

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 financial year 2017, Prisa received notice of certain judgments delivered by the National Appellate Court dismissing its claim in relation to the tax settlements deriving from enforcement proceedings for corporate income tax for 1999, 2000 and 2001, which have now become final and binding. The adjustments for these items were provisioned by the Company in prior years.

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 2016, the Company received a partially estimative judgement that has acquired firmness. In 2017, the Tax Authority has executed the decision of the National Appellate Court mentioned above, which has led to receiving a refund of EUR 6,874 thousand, which generated an income from corporation tax of EUR 2,814 thousand and the rest of the amount has been recorded in the income statement according to the nature of the regularized concept.

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 and corresponding appeals. In the year 2016, the Entity received a firm judgement from the Supreme Court and its effect was recorded in the accounting year 2016 itself. The tax liability arising from this Notice was paid, and was recognized as a long-term credit vis-à-vis the Revenue Authorities, which in 2016 was discharged. In 2017, the Tax Authority has executed the decision of the National Appellate Court mentioned above, which has led to receiving a refund of EUR 367 thousand. The adjustments for these items were provisioned by the Company in prior years.

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. In 2017 a partial resolution has been received from the TEAC, against which the corresponding administrative appeal has been 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.

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. In the financial year 2017, a resolution has been received from the TEAC partially upholding Prisa's claim, against which the corresponding administrative appeal has now been filed, which is currently pending resolution. The tax liability arising from these Notices was paid and was recognized as a long-term credit vis à vis the Tax Authorities, which in 2016 was discharged, and its effect recorded in the accounts.

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 the financial year 2017 Prisa received notice of a judgement delivered by the Supreme Court dismissing the case, which is final and binding. The adjustments for these items were provisioned by the Company in prior years.

In the fiscal year 2016, the inspections referred to 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 and 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 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 2016 and another, in Non-compliance, for EUR 7,785 thousand, which, although appealed against, was also paid and recorded as a credit in the form of an advance, the discharge of which was commenced in 2016 and its effect recorded in the accounts. Similarly, the inspection actions corresponding to the Corporate Income Tax for the years 2009 to 2011 was completed, resulting, for Promotora de Informaciones, SA, in the signing of an Act of Non-Compliance with no result to be entered, which 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.

In the financial year 2017, audit proceedings got under way at Tax Consolidation Group 2/91, of which Promotora de Informaciones, S.A. is the parent company, such proceedings

concerning corporate income tax for the years 2012 to 2015 and value added tax, withholdings/payments on account of work-related and professional remuneration, and also non-resident income tax withholdings for the period spanning 02/2013 to 12/2015.

The provision for taxes (*see note 12*) includes an amount of EUR 16,235 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. (Sole proprietorship) involving 100% of the shares owned by Prisa in the company Audiovisual Sport, S.L. (*see note 7.1*) is shown in the table below:

	Thousands of Euros	
	Accounting	Tax
Book and tax value of delivered securities:		
- Audiovisual Sport, S.L.	- (*)	187,896
Value by which values received have been recorded:		
- Prisa Participadas, S.L. (Sociedad Unipersonal)	7,480	187,896

(*) The investment was fully provisioned.

10.- INCOME AND EXPENSE

Employees

The detail of "*Employee benefits costs*" in the income statements for 2017 and 2016 is as follows (thousands of euros):

	2017	2016
Employer social security costs	496	691
Other employee benefit costs	110	113
Total	606	804

The average number of employees in 2017 and 2016 was 39 and 55, all of whom had a permanent employment contract. The detail, by gender and professional category, is as follows:

	2017		2016	
	Men	Women	Men	Women
Executives	7	5	11	7
Middle management	2	6	2	6
Qualified line personnel	3	6	6	13
Other	1	9	-	10
Total	13	26	19	36

The number of employees at December 31, 2017 was 36 and at December 31, 2016 was 53 all of whom had a permanent employment contract. The detail, by gender and professional category, is as follows:

	12/31/17		12/31/16	
	Men	Women	Men	Women
Executives	6	4	10	7
Middle management	3	6	2	6
Qualified line personnel	2	5	5	12
Other	1	9	1	10
Total	12	24	18	35

In 2017 and 2016, there were no people employed with disabilities equal or greater than 33%.

External services

The detail of "External services" in 2017 and 2016 is as follows:

	Thousands of Euros	
	2017	2016
Leases and fees	998	928
Repairs and maintenance	314	297
Independent professional services	11,580	10,470
Other outside services	3,764	8,067
Total	16,656	19,762

The "Other external services" includes an expense of EUR 271 thousand corresponding to the liability insurance of Managers and Directors (2016: EUR 281 thousand).

Leases

Different assets used by the Company are under operating lease arrangements, the most significant corresponding to the building of Avenida de los Artesanos, 6 (Tres Cantos), with maturity April 30, 2020. The minimum future payments derived from the lease of this property are as follows:

Exercise	Thousand euros
2018	549
2019	558
2020	189
	1,296

The expense recognized by the Company in the income statement for the years 2017 and 2016 corresponding to this operating lease amounts to EUR 539 thousand.

During 2017 and 2016, the Company has not recorded significant financial leases.

Other results

This item refers to income amounting to EUR 4,634 thousand as a result of the execution, by the Tax Authority, of the decision of the National Appellate Court of May 5, 2016, concerning the Tax Audit for the 2003-2005 consolidated corporate tax.

Fees paid to auditors

The fees for financial audit services relating to the 2017 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 1,671 thousand (2016: EUR 1,684 thousand), of which EUR 296 thousand relate to Pomotora de Informaciones, S.A. (2016: EUR 180 thousand). Also, the fees relating to other auditors involved in the 2017 audit of the various Group companies amounted to EUR 326 thousand (2016: EUR 361 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):

	2017		2016	
	Principal auditor	Other audit firms	Principal auditor	Other audit firms
Other verification services	395	72	472	22
Tax advisory services	50	429	222	348
Other services	257	2,083	747	1,189
Other professional services	702	2,584	1,441	1,559

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)	
	2017	2016
Other verification services	197	255
Tax advisory services	-	80
Other services	83	418
Other professional services	280	753

11.- FINANCIAL LOSS

The detail of “*Financial loss*” in the income statements is as follows:

	Thousands of Euros	
	2017	2016
Income from temporary financial investments	17	107
Income from loans	5	1,627
Other financial income	1,480	39,283
Financial income	1,502	41,017
Interest on debts with Group companies	(714)	(2,085)
Interest on debts with third parties	(41,495)	(42,177)
Loan arrangement costs	(12,354)	(17,828)
Other financial expenses	(120)	(17,870)
Financial expenses	(54,683)	(79,960)
Positive exchange differences	2	52
Negative exchange differences	(248)	(49)
Net exchange differences	(246)	3
Impairment and losses of financial instruments	(2,376)	62,710
Financial outcome	(55,803)	23,770

In 2017, the “*Other finance income*” mainly includes late payment interests received as a result of the favourable court ruling for the 2003-2005 corporate tax inspection (see note 9).

In 2016, the “*Other finance income*” mainly included 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*).

12.- PROVISIONS AND CONTINGENCIES

The changes in “*Provisions and contingencies*” in 2017 are as follows (in thousands of euros):

	Balance at 12/31/2016	Additions	Reversals	Transfers	Disposals	Balance at 12/31/2017
Provision for taxes	20,610	-	-	-	(4,375)	16,235
Provision for litigation in progress	985	-	(340)	-	(620)	25
Provisions for third-party liability	3,563	2,001	-	(1,786)	(278)	3,500
Total cost	25,158	2,001	(340)	(1,786)	(5,273)	19,760

In 2017 the “*Provision for taxes*” movement mainly corresponds to the withdrawals arising of the execution, by the Tax Authority of the decision of the National Appellate Court of May 5, 2016, concerning the Tax Audit for the 2003-2005 consolidated corporate tax (*see Note 9*).

With regard to the heading “*Provision for litigation in progress*”, in the financial year 2017 the Company paid EUR 620 thousand corresponding to the Supreme Court ruling dated 10 November 2015 confirming a penalty imposed on Warner Sogefilms A.I.E., in accordance with the amount of the fine set by the CNMC. 40% of that amount had to be covered by the Company as a result of its merger with Sogecable, S.A. The rest of the amount provisioned was cancelled, as the provision of this item was no longer necessary.

The main changes 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. (Sole proprietorship) (EUR 1,373 thousand) and Prisa Gestión de Servicios, S.L. (Sole proprietorship) (EUR 351 thousand) companies as of December 31, 2017, which have been recognized with a charge to the heading “*Impairment of financial assets*” in the accompanying income statement, and 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 Prisa Audiovisual, S.L. (Sole proprietorship) in June 2017 (*see note 7.1*), under the heading transfers.

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 2017 in the amount of EUR 195 thousand.

The 49,745 shares accrued in this category over that period have not yet been fully delivered.

In April 2017 Prisa delivered 5,549 shares in partial payment of the fixed compensation of external directors for the fourth quarter of 2016. The corresponding expense, in an amount of EUR 53 thousand, was entered in the income statement for 2016.

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

- Effective January 1, 2018, Mr. Juan Luis Cebrián has ceased to be Executive Chairman of the Company. In 2017 no provision was recorded for the variable multi-year incentive for the 2016/2018 period that was included in his contract with the Company, since such remuneration had not been recognized upon termination of his contract. The accounting provisions for this concept in 2016 amounting to EUR 500 thousand and in the first half of 2017 amounting to approximately EUR 200 thousand have been derecognised.
- 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 was for a term of three years, from January 1, 2014 to December 31, 2016.

In May 2017, Prisa delivered 38,866 shares in partial payment of this incentive to certain executives. The corresponding expense is recorded in the income statement for the 2016.

iii) Extraordinary incentive

- The Board of Directors has recognized Mr. Cebrián the right to receive an extraordinary incentive linked to the success of the financial restructuring and capitalization as well as the sale of Media Capital, approved by the Extraordinary Shareholders' Meeting of November 15, 2017, with a volume of 1,600,000 shares of Prisa, which is accrued in accordance with the terms and conditions set forth in the resolution of the Meeting.

14.- GUARANTEE COMMITMENTS TO THIRD PARTIES

At December 31, 2017, Prisa had furnished bank guarantees amounting to EUR 1,299 thousand.

Additionally, and within the context of the legal proceedings currently under way between Audiovisual Sport S.L. ("AVS") and Mediapro concerning the agreement to exploit the rights relating to the "La Liga" football league for the 2006/07 and successive seasons, the Company is the counter-guarantor under the bank guarantee of EUR 50,000 thousand posted by AVS in compliance with the court ruling issued by Court of First Instance number 36 of Madrid, upholding the interim relief requested by the Company. This guarantee remains as security in relation to the process of determining the damage and loss resulting from the interim relief of October 8, 2017 currently being heard.

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.- RELATED PARTY TRANSACTIONS

The transactions performed with Group companies, associates and related parties in 2017 and 2016 are as follows in thousands of euros:

	12/31/2017		12/31/2016	
	Group companies or entities	Significant shareholders	Group companies or entities	Significant shareholders
Receivables	3,516	-	2,260	75
Financial credits	36,217	-	34,296	-
Total receivable accounts	39,733	-	36,556	75
Trade payables	347	708	310	548
Financial loans	128,911	533,164	118,037	514,305
Total payable accounts	129,258	533,872	118,347	514,853

The aggregate amount of EUR 533,872 thousand mainly includes the loans granted to the companies of the Company for:

- Banco Santander, S.A. for the amount of EUR 16,879 thousand.
- Caixabank, S.A. for the amount of EUR 57,687 thousand (EUR 57,699 thousand at December 31, 2016).
- HSBC Holding, PLC for the amount of EUR 458,599 thousand (EUR 456,606 thousand at December 31, 2016).

The transactions performed with Group companies, associates and related parties in 2017 and 2016 are as follows in thousands of euros:

	2017			2016		
	Directors and executives	Group companies or entities	Significant shareholders	Directors and executives	Group employees, companies or entities	Significant shareholders
Services received	-	714	13,826	-	2,085	15,119
Finance expenses	190	1,046	2,472	90	4,434	1,798
Other expenses	14,452	-	-	8,701	-	348
Total expenses	14,642	1,760	16,298	8,791	6,519	17,265
Finance income	-	5	-	-	1,627	18,401
Dividends received	-	12,225	-	-	10,527	-
Other income	-	7,480	2,222	-	11,417	-
Total revenues	-	19,710	2,222	-	23,571	18,401

All related party transactions have taken place under market conditions.

The amount of EUR 14,452 thousand relates to the accrued salaries of directors for the amount of EUR 9,387 thousand (*see Note 16*) and executives for the amount of EUR 5,065 thousand.

The Finance income for the amount of EUR 18,401 thousand corresponded to the income generated for the fair value of the bonds issue during 2016 (*see note 8*).

Remuneration of senior executives-

The total aggregate compensation of members of senior management and the Internal Audit Manager (the "Management") in 2017, of Promotora de Informaciones, S.A. and other companies in the Group amounts to EUR 5,065 thousand (EUR 3,516 thousand in 2016).

This compensation is the accounting reflection of the overall compensation of managers and therefore do not match with the remuneration accrued in 2017 that will be included in the Annual Report of Corporate Governance 2017 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 on December 31, 2017, that being understood to be the members of the Business Management Committee that were not executive directors and had an employment relationship with Prisa and other companies in the Group and, furthermore, the internal audit manager of Prisa. Specifically, it is that of the following managers: Mr. Guillermo de Juanes Montmeterme, Mr. Xavier Pujol Tobeña, Ms. Bárbara Manrique de Lara, Mr. Miguel Angel Cayuela Sebastián, Mr. Andrés Cardó Soria, Mr. Ignacio Soto Pérez, Ms. Rosa Culler and Ms. Virginia Fernández.

It has been included the remuneration of Mr. Guillermo de Juanes Montmerte and Mr. Xavier Pujol Tobeña from their appointment as CFO and General Secretary, respectively, in July 2017.

Within the total remuneration of the managers, it has been also included the following:

- The remuneration of Mr. Fernando Martinez Albacete, Mr. Antonio García-Mon and Ms. Noelia Fernández Arroyo until their resignation as CFO, General Secretary and Managing Director of Business Development and Digital Transformation, respectively, in 2017.
- The remuneration of Mr. Manuel Mirat Santiago for his responsibilities as CEO of Prisa Noticias for the period between January 1 and June 30, 2017, date in which he was appointed executive director of PRISA. The remuneration corresponding to Mr. Mirat since that date is included in the remuneration of the members of the Board of Directors of Prisa.

The total aggregate remuneration of the managers 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 2017, 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 2016 bonus paid in March 2017, in an amount of EUR 256 thousand.
- Adjustment for payment of the long-term incentive (LTI) for the period 2014 to 2016 to certain directors, approved by the Ordinary Shareholders' Meeting on April 28, 2014 and totaling EUR 198 thousand.
- Post-contractual non-competition agreement and compensation for termination of the contracts of some members of senior management.

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 2017 and 2016 is as follows in thousands of euros:

	2017	2016
Mediaset España Comunicación, S.A.	54	52
Total Related	12,225	10,527
Vertex, S.G.P.S.	12,200	10,500
Canal Club, S.A.	25	27
Total	12,279	10,579

Transactions between with significant shareholders -

The aggregate amount of EUR 16,298 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:

2017

	12/31/2017
	Significant shareholders
Other transactions (see note 8)	2,222

The negative amount of EUR 2,222 thousand corresponds to the accrued remuneration of the bonds convertible into shares until the date of conversion, October 31, 2017 (*see note 8*).

2016

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

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

16.- REMUNERATION AND OTHER BENEFITS OF DIRECTORS

In 2017 and 2016, Promotora de Informaciones, S.A. registered the following amounts in respect of remuneration to Board members:

	Thousands of euros	
	2017	2016
Fixed remuneration	2,185	2,210
Variable remuneration	1,972	978
Attendance fees	683	515
Bylaw-stipulated directors' emoluments	1,427	1,402
Other	3,120	80
Total	9,387	5,185

Regarding the 2017 financial year:

- i) On a preliminary note:
 - o Juan Luis Cebrián stood down as the Company's executive chairman on January 1, 2018. On acceptance of his resignation, the Board of Directors agreed to acknowledge his entitlement to the following remuneration: (i) a retirement or pension plan allowance equivalent to EUR 6,000 thousand ("Retirement Allowance"); and (ii) EUR 1,000 thousand for the 2017 variable incentive. These two amounts were paid to Mr. Cebrián in January 2018.
 - o On January 1, 2018, Mr. Manuel Polanco Moreno stood down as deputy executive chairman and was appointed non-executive chairman of Prisa. The Board approved this appointment, acknowledging Mr. Polanco's entitlement to compensation due to the termination of the service-level agreement with the Company, equivalent to fifteen months of his last fixed and variable remuneration and totalling EUR 905 thousand, as well as the annual variable pay for 2017 of EUR 264 thousand.
- ii) The overall compensation of the Board of Directors includes the remuneration of the directors who ceased during 2017: Ms Blanca Hernández, Mr Glen Moreno, Mr Ernesto Zedillo Ponce de León, Mr Alfonso Ruiz de Assin Chico de Guzman, Mr Alain Minc, Ms Elena Pisonero, Mr José Luis Leal Maldonado and Mr Gregorio Marañón Bertrán de Lis.

It also includes the remuneration of Mr. José Luis Sainz Díaz, who ceased as Director and CEO, effective September 4, 2017.

iii) In relation to the remuneration of the current CEO, Mr. Manuel Mirat Santiago (who is PRISA director from June 30, 2017 and CEO from September 4, 2017) the following notes are made:

- o His remuneration from July 1, 2017 to September 3, 2017, corresponds to his duties as CEO of Prisa Noticias, is not included in the table above but it is included in the consolidated annual account.

- His remuneration since September 4, 2017 corresponds to his duties as CEO of Prisa and is included in the table above.
- His remuneration prior to July 1, 2017, that is, for his responsibilities as CEO of Prisa Noticias, is included in the remuneration of senior management.

iv) The aggregated remuneration of Prisa directors reflected in the table above corresponds to the accounting provisions made in the income statement of Prisa and consequently it corresponds to the accounting provisions registered in the profit and loss account.

Therefore the compensation included in the table above, do not match, in some respects, with the remuneration that will be included in the Annual Remuneration Report of the Directors 2017 (IR) and in the Annual Report on Corporate Governance 2017 (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.

v) Items included in the variable remuneration of directors in the above table (whose amounts in some cases differ from those that will be declared in the IR and in the IAGC), are the following:

- Annual variable compensation (bonus): accounting provisions of the amount corresponding to theoretical annual variable compensation of the director Mr Manuel Mirat if management objectives are achieved. However, since this compensation is subject to achievement of the management objectives at the end of the year 2017, 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.
- Accounting expense recognised in the income statement of EUR 1,000 thousand, EUR 264 thousand and EUR 750 thousand for the variable pay in 2017 of Messrs. Juan Luis Cebrián, Manuel Polanco and Jose Luis Sainz, respectively (see point i) above).
- Regularization of 2016 bonus paid in June 2017, in the negative amount of EUR 131 thousand.
- In 2017 no provision was recorded for the variable multi-year incentive of the previous Chairman, Mr. Juan Luis Cebrián Echarri, for the 2016/2017 period, since such remuneration had not been recognized upon termination of his contract. The accounting provisions for this concept in 2016 amounting to EUR 500 thousand and in the first half of 2017 amounting to approximately EUR 200 thousand have been derecognised.

vi) "Others" includes the following items:

- The compensation for severing the contractual relationship with the CEO José Luis Sainz of EUR 1,875 thousand - the result of applying the termination by mutual accord

clause in Mr. Sainz's contract (15 months of his fixed and variable remuneration and the last bonus accrued), as well as EUR 187.5 thousand in connection with the post-contractual non-compete clause in his contract with the Company.

- o The accounting expense recognised in the income statement for the compensation payable to Mr. Manuel Polanco of EUR 905 thousand. The Board Remuneration Report does not include this item in the remuneration accrued in 2017.

vii) Regarding Mr. Cebrián's "Retirement Allowance", the sum of EUR 6,000 thousand is not included in the table above because a provision was already recognised in 2014 covering the full amount.

viii) Also under "Other" are not included EUR 90 thousand and EUR 100 thousand that correspond to the ex-director Mr. Gregorio Marañón y Bertran de Lis (for the rendering of legal services) and the director Mr. Dominique D'Hinin (for advising the Chairman and the CEO on the Company's Refinancing Plan), respectively, but these amounts are included in the tables of section D of the Annual Report on Remuneration of Directors.

Information about these transactions is included in note 15 "Related party transactions" of this report.

ix) No other credits, advances or loans occurred, nor were pension obligations incurred, in respect of the Board of Directors during 2017.

17.- INFORMATION REGARDING CONFLICT OF INTEREST SITUATIONS OF DIRECTORS

For purposes of article 229 of the Corporate Enterprise Act it is noted that, as at the end of 2017, 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.		
Manuel Polanco	Joint and Several Director of Canal Club de Distribución de Ocio y Cultura, S.A.		
Joseph Oughourlian	See note (*)		
John Paton	Director of Guardian Media Group. Chairman of Ventures LLC IVA. Ventures is an advisor to Cxense, a public company based in Norway specializing in data analysis. PRISA		

Director	Activity	Person related to the Director	Activity
	is a client of Cxense.		
Shk. Dr. Khalid bin	Vice Chairman of Dar Al		
Thani bin Abdullah Al-Thani	Sharq Printing Publishing & Distribution Co. Vice chairman of Dar Al Arab Publishing & Distribution Co.		
Dominique D’Hinnin	0.1% interest in the share capital of Lagardère SCA.		
Javier Monzón de Cáceres		Spouse	His spouse is manager and held a shareholding of 75% of the share capital of the company Derecho y Revés, S.L., with publishing activity

(*) 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, as of December 31, 2017 the following Directors of Promotora de Informaciones, S.A. were members of management bodies of certain companies in the Prisa Group: Juan Luis Cebrián Echarri, Manuel Polanco Moreno, Manuel Mirat Santiago and John Paton.

18.- LITIGATION AND ONGOING CLAIMS

The Company was in the course of a dispute with Indra Sistemas, S.A., (“Indra”) as a result of an attempt by Indra to terminate unilaterally the Framework Contract dated 22 December 2009, for the global outsourcing of information technology management services and development of the I+D+i Projects. However, the Company signed a settlement agreement with Indra, as of November 27, 2017, through which the existing controversy has been solved and, consequently, both parties have abandoned their claims.

On the other hand, as shown in Note 14, the Company is counter-guarantor of a guarantee for an amount of EUR 50,000 thousand that its subsidiary AVS submitted before the Court of First Instance no. 36 of Madrid, as a guarantee for an incident of damage assessment caused by the precautionary measures urged against Mediaproducción, S.L.(“Mediapro”). As at December 5, 2017, the Court handed down a ruling dismissing the right to damages and fully upheld the opposition of AVS, which was notified to the parties on January 9, 2018. In February 2018, Mediapro appealed such ruling.

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.

19.- SUBSEQUENT EVENTS

As of January 16, 2018, the Company had signed a framework agreement with most of its financial creditors, the Lock-up Agreement, which governs the basic terms and procedure to follow to refinance and modify the terms of Prisa's current financial debt. From that date and up to January 22, 2018, the remaining financial creditors signed up to the Lock-up Agreement, whereby on the date these consolidated financial statements were drafted, all financial creditors in the *Override Agreement* had signed said framework agreement.

The basic terms of the Refinancing agreed with all creditors contain the following main agreements:

- (i) Extension of the debt maturity date to November and December 2022.
- (ii) The payment schedule does not set out obligatory amortizations during the first three years from January 16, 2018 to December 2020, with a later repayment schedule adjusted to the expected cash generation of Prisa group businesses.
- (iii) The reallocation of debt currently recorded at Prisa to bring it closer to the education business taking advantage of its cash flow capacity.
- (iv) The partial modification of the package of debt guarantees.
- (v) The agreement sets out an initial repayment of EUR 450,000 thousand to be made out of funds from the capital increase approved by the Annual General Shareholders' Meeting held on November 15, 2017, to be made at the time the refinancing comes into effect.

The Lock-up Agreement sets out a limited number of termination situations that would enable creditors to dissolve their commitment to support the modifications proposed for the financing regulated in the *Override Agreement*, and that as of the date of these consolidated financial statements are: (i) the existence of a deadline to reach an agreement with the financial creditors on the new terms of the *Override Agreement* not expressly provided for in the Lock-up Agreement (June 30, 2018, although it could be extended by the majority of participants in the Lock-up Agreement); (ii) material non-compliance by the company with its obligations arising from the Lock-up Agreement; (iii) a relevant administrative or legal authority issues an order or resolution that impedes the execution of the agreed Refinancing, and (iv) the company possibly being put into administration.

The Directors of the company consider that none of the termination cases will occur.

In addition, on January 22, 2018 the Prisa Board of Directors unanimously approved a capital increase with preferential subscription rights for EUR 113,220 thousand.

Both the capital increase for EUR 113,220 thousand and the increase approved by the Annual General Shareholders' Meeting of Shareholders on November 15, 2017 for EUR 450,000 thousand had been fully subscribed and paid out in February 2018.

20.- 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	12-31-2017 (in thousands of euros)							
			CARRYING AMOUNT	% OF OWNERSHIP	TAX GROUP (*)	SHARE CAPITAL	RESERVES	PROFIT (LOSS)	SHAREHOLDERS' EQUITY	EBIT
Prisa Brand Solutions S.L. (Sociedad Unipersonal)	C/ Valentín Beato 48, Madrid	Contracting of advertising exclusives	9,245	100.00%	2/91	150	9,291	(243)	9,198	(148)
Audiovisual Sport S.L.	Av. de los Artesanos, 6 Tres Cantos, Madrid	Management and distribution of audiovisual rights	-	80.00%	2/91	6,220	3,404	(2,587)	7,037	(477)
Prisa Audiovisual S.L. (Sociedad Unipersonal)	Gran Vía, 32, Madrid	Holding company	-	100.00%	2/91	3	-	(1,376)	(1,379)	(1,626)
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	-	100.00%	2/91	3	81	(435)	(351)	(573)
Prisa Participadas, S.L.	Gran Vía, 32, Madrid	Rent of commercial and industrial premises and constitution and management of companies	510,457	100.00%	2/91	72,534	416,339	(11,214)	477,659	(16,660)
Promotora de Actividades América 2010 S.L. (En liquidación)	Gran Vía, 32, Madrid	Production and organization of activities marking the bicentenary of American independence	-	100.00%	2/91	10	(1,783)	(4)	(1,777)	(0.4)
Promotora de Actividades Audiovisuales de Colombia, Ltda.	Calle 80, 10 23, Bogotá, Colombia	Audiovisual and communication activities	-	99.00%	2/91	420	(351)	0.2	69	-
Vertix, SCPS, S.A.	Rua Mario Caselhamo, nº 40, Queluz de Baixo, Portugal	Holding company	-	100.00%		268,041	117,724	16,511	402,275	(215)
Canal Club de Distribución de Ocio y Cultura, S.A.	Calle Herminilla, 112, Madrid	Catalogue sales	36	25.00%		60	12	74	145	74
Diario El País México, S.A. de C.V.	Avenida Universidad 767, Colonia del Valle, México D.F. México	Operation of El País newspaper in Mexico	34	97.42%		11,209	(8,106)	(1,797)	1,305	(1,787)
Prisa Noticias, S.L.	Gran Vía, 32, Madrid	Management and operation of the media	96,126	100.00%	2/91	38,596	45,637	1,882	86,085	(389)
Promotora General de Revistas S.A.	Valentín Beato, 48, Madrid	Publication production and operation of magazines	1	99.96%	2/91	1,500	1,346	(336)	2,510	27
Promotora de Emisoras, S.L.	Gran Vía, 32, Madrid	Radio broadcasting services	24	100.00%	2/91	2,500	20,835	246	23,581	241
Promotora de Emisoras de Televisión, S.A.	Gran Vía, 32, Madrid	Operation of television channels	3,751	25.00%	2/91	19,061	(4,558)	176	14,679	35

(*) Consolidated tax group Promotora de Informaciones, S.A.: 2/91

(†) Data as of November 2017

INVESTE	REGISTERED OFFICE	LINE OF BUSINESS	12-31-2017 (in thousands of euros)				
			% OF OWNERSHIP	TAX GROUP (*)	SHARE CAPITAL	SHAREHOLDERS' EQUITY	EBIT
EDUCACIÓN							
Activa Educa, S.A. (Guatemala)	26 Avenida 2-20 zona 14. Guatemala - Guatemala	Publishing	75.00%		623	138	358
Avália Qualidade Educacional Ltda.	Rua Padre Adelino, 758. Belezinho. Sao Paulo. Brasil	Publishing	75.00%		1,958	1,100	(448)
Distribuidora y Editora Richmond, S.A.	Edificio Punto 99, Carrera 11° N°98-50 Oficina 501. Bogotá. Colombia	Publishing	75.00%		113	1,057	718
Ediciones Grazelema, S.L.	Rafael Beca Mateos, 3. Sevilla	Publishing	75.00%	2/91	60	133	(1)
Ediciones Santillana Inc.	1506 Roosevelt Avenue. Guaynabo. Puerto Rico	Publishing	75.00%		1,065	9,193	2,035
Ediciones Santillana, S.A. (Argentina)	Leandro N. Alem. 720. Buenos Aires. 1001. Argentina	Publishing	75.00%		5,316	7,607	14,992
Ediciones Santillana, S.A. (Uruguay)	Juan Manuel Blanes 1132 Montevideo Uruguay	Publishing	75.00%		147	1,123	598
Edicions Obradoiro, S.L.	Ruela de Entrecercos, 2 2º B. 15705. Santiago de Compostela	Publishing	75.00%	2/91	60	78	(0.4)
Edicions Voramar, S.A.	Valencia, 44. 46210. Píncaya. Valencia	Publishing	75.00%	2/91	60	94	(1)
Editora Moderna Ltda.	Rua Padre Adelino, 758. Belezinho. Sao Paulo. Brasil	Publishing	75.00%		20,587	63,738	41,123
Editora Pintangua, LTDA	Rua Urbano Santos, 755. Sala 4. Bairro Cumbica. Cidade de Guarulhos. Sao Paulo. Brasil	Publishing	75.00%		25	104	42
Editorial Nuevo México, S.A. de C.V.	Avenida Rio Mixcoac 274 Col. Acacias. México DF. México	Publishing	75.00%		1,287	593	379
Editorial Santillana, S.A. (Guatemala)	26 Avenida 2-20 zona 14. Guatemala - Guatemala	Publishing	75.00%		72	7,657	5,584
Editorial Santillana, S.A. (Honduras)	Colonía Los Profesionales Boulevard Suyapa, Metropolis Torre 20501, Tegucigalpa Honduras	Publishing	75.00%		20	2,717	1,824
Editorial Santillana, S.A. (Rep. Dominicana)	Juan Sánchez Ramírez, 9. Gazcue. Santo Domingo. República Dominicana	Publishing	75.00%		118	9,811	3,397
Editorial Santillana, S.A. (Venezuela)	Avenida Rómulo Gallegos. Edificio Zulia 1°. Caracas. Venezuela	Publishing	75.00%		3,625	1,197	938
Editorial Santillana, S.A. de C.V. (México)	Avenida Rio Mixcoac 274 Col. Acacias. México DF. México	Publishing	75.00%		24,019	14,085	345
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	3,822	1,608
Editorial Santillana, S.A.S (Colombia)	Edificio Punto 99, Carrera 11° N°98-50 Oficina 501. Bogotá. Colombia	Publishing	75.00%		1,676	4,176	319
Educa Inventia, Inc. (Puerto Rico)	1506 Roosevelt Avenue. Guaynabo. Puerto Rico	Publishing	75.00%		755	(844)	155
Educa Inventia, S.A. de C.V. (México)	Avenida Rio Mixcoac 274 Col. Acacias. México DF. México	Publishing	75.00%		4,882	146	(2,009)
Educativa Ediciones, S.A.S. (Colombia)	Avenida El Dorado No. 90 - 10 Bogotá, Colombia	Publishing	75.00%		46	(210)	(54)
Educativa, S.A. (Chile)	Avenida Andrés Bello 2299 Oficina 1001 Providencia. Santiago Chile	Publishing	75.00%		16,527	(35)	(27)
Educativa, S.A.C. (Perú)	Av. Manuel Olguin Nro. 215 Int. 501 / Los Granados/ Santiago de Surco/ Lima, Perú	Publishing	75.00%		974	1,028	480
Educativa, S.A.S. (Colombia)	Avenida El Dorado No. 90 - 10 Bogotá, Colombia	Publishing	75.00%		4,543	2,877	777
Grupo Pacifico S.A. (Panamá)	Urbanización Industrial Orillac, Via Transistmica, Calle Segunda, Local No. 9, Rep. de Panamá.	Publishing	75.00%		260	6,467	(655)
Kapelusz Editora, S.A. (Argentina)	Leandro N. Alem. 720. Buenos Aires. 1001. Argentina	Publishing	75.00%		287	432	1,011

(*) Consolidated tax group Promotora de Informaciones, S.A.: 2/91

INDIRECT HOLDINGS

INVESTE	REGISTERED OFFICE	LINE OF BUSINESS	12-31-2017 (In thousands of euros)					
			% OF OWNERSHIP	TAX GROUP (*)	SHARE CAPITAL	SHAREHOLDERS' EQUITY		
Grup Promotor D'Ensenyament i Difusió en Català, S.L.	Frederic Mompou, 11. V. Olímpica. Barcelona	Publishing	75.00%	2/91	60	-	97	(2)
Grupo Santillana Educación Global, S.L.	Av. de los Artesanos, 6 Tres Cantos. Madrid	Publishing	75.00%	2/91	12,018	-	(9,353)	32,892
Inevry 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.	75.00%	2/91	250	-	527	16
Itaca, S.L.	Av. de los Artesanos, 6 Tres Cantos. Madrid	Book distribution	75.00%	2/91	408	-	1,534	97
Lanza, S.A. de C.V.	Av. de los Artesanos, 6 Tres Cantos. Madrid	Creation, development and management of companies	75.00%	-	13,038	-	11,455	-
Pleno Internacional, SPA	Avenida Río Mixcoac 274 Col. Acacias. México DF. México	Advice and consulting, development and sale of software	52.50%	1	1	-	(192)	-
Richmond Educação, Ltda.	Avenida Andres Bello N° 2299 Oficina 1001 Providencia - Santiago	Publishing	75.00%	25	4	-	150	66
Richmond Publishing, S.A. de C.V.	Rua Padre Adelino, 758. Belemzinho. Sao Paulo. Brasil	Publishing	75.00%	4	25	-	7,956	3,253
Salamandra Editorial, Ltda.	Avenida Río Mixcoac 274 Col. Acacias. México DF. México	Publishing	75.00%	25	4	-	2,683	1,466
Santillana Administracao de Biers, LTDA	Rua Urbano Santos 755, Sao Paulo. Brasil	Property management	75.00%	2/91	1,370	-	2,420	697
Santillana Canarias, S.L.	Rua Padre Adelino, 758. Belemzinho. Sao Paulo (Brasil)	Publishing	75.00%	-	60	-	63	0.2
Santillana de Ediciones, S.A. (Bolivia)	Urbanización El Mayorazgo, Parcela 14, 2.7B. Santa Cruz de Tenerife	Publishing	75.00%	-	343	-	2,605	2,202
Santillana del Pacifico, S.A. de Ediciones.	Calle 13, N° 8078. Zona de Calacoto. La Paz. Bolivia	Publishing	75.00%	-	427	-	8,083	4,179
Santillana Editores, S.A.	Avenida Andres Bello 2299 Oficina 1001-1002 Providencia. Santiago Chile	Publishing	75.00%	-	1,250	-	(228)	(889)
Santillana Educación, S.L.	R. Mario Castelhano, 40 - Queluz de Baixo - 2734-502 Barcarena - Portugal	Publishing	75.00%	2/91	7,747	(20,000)	71,808	31,542
Santillana Educación, S.L.	Av. de los Artesanos, 6 Tres Cantos. Madrid	Complementary educational services	75.00%	2/91	300	-	(986)	(1,205)
Santillana Global, S.L.	Av. de los Artesanos, 6 Tres Cantos. Madrid	Publishing	75.00%	2/91	2,276	-	3,182	(6,246)
Santillana Infantil y Juvenil, S.L.	Av. de los Artesanos, 6 Tres Cantos. Madrid	Publishing	75.00%	2/91	65	-	2,201	1,341
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	75.00%	-	63	-	3,094	2,239
Santillana USA Publishing Co. Inc.	Av. de los Artesanos, 6 Tres Cantos. Madrid	Publishing	75.00%	2/91	220	-	24,831	(12)
Santillana S.A. (Costa Rica)	2023 NW 84th Avenue. Doral. Florida. EE.UU.	Publishing	75.00%	-	60,560	-	(1,988)	(539)
Santillana S.A. (Ecuador)	La Uruca, 200 m Oeste de Aviación Civil. San José. Costa Rica	Publishing	75.00%	-	465	-	3,242	3,218
Santillana S.A. (Paraguay)	Calle De las Higueras 118 y Julio Arellano. Quito. Ecuador	Publishing	75.00%	-	978	-	5,203	6,062
Santillana S.A. (Perú)	Avenida Venezuela, 276. Asunción. Paraguay	Publishing	75.00%	-	137	-	1,241	703
Sistemas Educativos de Enseñanza, S.A. de C.V.	Avenida Primavera 2160. Santiago de Surco. Lima. Perú	Publishing	71.25%	-	3,275	(651)	4,402	2,543
Soluções Inovadoras em Educação LTDA. (SIEDUC) (Antes Uma Educação Ltda.)	Avenida Río Mixcoac 274 Col. Acacias. México DF. México	Publishing	75.00%	-	11,493	-	3,386	3,164
Vanguardia Educativa Santillana Compartir, S.A. de C.V.	Rua Padre Adelino, 758. Belemzinho. Sao Paulo. Brasil	Publishing	75.00%	-	33,355	-	12,214	2,128
Zubia Editoriala, S.L.	Avenida Río Mixcoac 274 Col. Acacias. México DF. México	Publishing	75.00%	-	3	-	117	119
	Poliçono Lezama Leguizamón. Calle 31. Eixebarri. Vizcaya	Publishing	75.00%	2/91	60	-	96	2

(*) Consolidated tax group Promotora de Informaciones, S.A.; 2/91

INVESTE	REGISTERED OFFICE	LINE OF BUSINESS	12-31-2017 (In thousands of euros)				
			% OF OWNERSHIP	TAX GROUP (*)	SHARE CAPITAL	SHAREHOLDERS' EQUITY	EBIT
RADIO							
RADIO ESPAÑA							
Antena 3 de Radio de León, S.A.	Gran Vía, 32. Madrid	Operation of radio broadcasting stations	75.19%		40	253	38
Compañía Aragonesa de Radiodifusión, S.A.	Paseo de la Constitución, 21. Zaragoza	Operation of radio broadcasting stations	73.28%		455	3,435	59
Ediciones LM, S.L.	Plaza de Cervantes, 6. Ciudad Real	Operation of radio broadcasting stations	37.76%		526	3,908	625
Gestión de Marcas Audiovisuales, S.A.	Gran Vía, 32. Madrid	Production and recording of sound media	75.52%	2/91	63	716	56
Iniciativas Radiofónicas de Castilla La Mancha, S.A.	Carreteros, 1. Toledo	Operation of radio broadcasting stations	52.86%		14	136	15
Iniciativas Radiofónicas, S.A.	Gran Vía, 32. Madrid	Operation of radio broadcasting stations	70.55%		25	452	17
Ondas Galicia, S.A.	San Pedro de Mezonzo, 3. Santiago de Compostela	Operation of radio broadcasting stations	34.93%		17	290	18
Prisa Radio, S.A.	Gran Vía, 32. Madrid	Operation of radio broadcasting stations	75.52%	2/91	4,171	132,240	(13,589)
Propulsora Montañesa, S. A.	Pasaje de Peña. Nº 2. Interior. 39008. Santander	Operation of radio broadcasting stations	75.44%		485	2,579	542
Radio Club Canarias, S.A.	Avenida Anaga, 35. Santa Cruz de Tenerife	Operation of radio broadcasting stations	71.74%		1,306	1,882	1,608
Radio España de Barcelona, S.A.	Caspe, 6. Barcelona	Operation of radio broadcasting stations	75.01%		45	682	37
Radio Lleida, S.L.	Calle Vila Antonia, Nº 5. Lleida	Operation of radio broadcasting stations	50.22%		(683)	(209)	(705)
Radio Murcia, S.A.	Radio Murcia, 4. Murcia	Operation of radio broadcasting stations	62.95%		377	1,534	534
Radio Zaragoza, S.A.	Paseo de la Constitución, 21. Zaragoza	Operation of radio broadcasting stations	67.97%		890	3,401	1,061
Sociedad Española de Radiodifusión, S.L.(Sociedad Unipersonal)	Gran Vía, 32. Madrid	Operation of radio broadcasting stations	75.52%	2/91	16,482	150,588	10,638
Sociedad Independiente Comunicación Castilla La Mancha, S.A.	Avenida de la Estación, 5 Bajo. Albacete	Operation of radio broadcasting stations	56.34%		219	673	275
Sogecable Música, S.L.	Gran Vía, 32. Madrid	Creation, broadcasting, distribution and exploitation of thematic TV channels	75.52%	2/91	(204)	1,255	(318)
Sonido e Imagen de Canarias, S.A.	Caldera de Bandama, 5. Arrecife. Lanzarote	Operation of radio broadcasting stations	37.76%		306	1,117	386
Teleradio Pres, S.L.	Avenida de la Estación, 5 Bajo. Albacete	Media management	56.72%		7	408	(2)
Teleser, S.A.	Gran Vía, 32. Madrid	Operation of radio broadcasting stations	59.86%		6	104	6
Laudio Irratia, S.L.	Pol.Industrial Ed.Cermámica 1.Alava	Operation of radio broadcasting stations	19.96%		29	270	29
Radio Jaén, S.L.	Obispo Aguilar, 1. Jaén	Operation of radio broadcasting stations	27.18%		106	1,017	98

(*) Consolidated tax group Promotora de Informaciones, S.A.: 2/91

INDIRECT HOLDINGS

INVESTE	REGISTERED OFFICE	LINE OF BUSINESS	12-31-2017 (In thousands of euros)			
			% OF OWNERSHIP	SHARE CAPITAL	SHAREHOLDERS' EQUITY	EBIT
RADIO INTERNACIONAL						
Abril, S.A.	Elhodoro Yañez. N° 1783. Comuna Providencia Santiago. Chile	Commercial radio broadcasting services and operation of radio stations	75.52%	858	3,186	737
Aurora, S.A.	Elhodoro Yañez. N° 1783. Comuna Providencia Santiago. Chile	Commercial radio broadcasting services and operation of radio stations	75.52%	414	3,572	726
Blaya y Vega, S.A.	Elhodoro Yañez. N° 1783. Comuna Providencia Santiago. Chile	Commercial radio broadcasting services and operation of radio stations	75.52%	1,971	20,927	289
Caracol Broadcasting Inc.	2100 Coral Way - Miami 33145 - Florida, EE.UU.	Operation of radio broadcasting stations	75.52%	215	783	(457)
Caracol Estéreo, S.A.	Calle 67 N° 7-37 Piso 7 Bogotá. Colombia	Commercial radio broadcasting services	58.18%	3	2,732	941
Caracol, S.A.	Calle 67 N° 7-37 Piso 7 Bogotá. Colombia	Commercial radio broadcasting services	58.18%	11	35,799	9,153
Comercializadora Iberoamericana Radio Chile, S.A.	Elhodoro Yañez. N° 1783. Comuna Providencia Santiago. Chile	Production and sale of CD's, advertising, promotions and events	75.52%	21,312	34,083	282
Compañía de Comunicaciones de Colombia C.C.C. Ltda.	Calle 67 N° 7-37 Piso 7 Bogotá. Colombia	Commercial radio broadcasting services	71.74%	25	2,316	158
Compañía de Radios, S.A.	Elhodoro Yañez. N° 1783. Comuna Providencia Santiago. Chile	Commercial radio broadcasting services	75.52%	298	2,116	(113)
Comunicaciones del Pacífico, S.A.	Elhodoro Yañez. N° 1783. Comuna Providencia Santiago. Chile	Operation and management of TV channels and radio stations	75.52%	458	4,066	690
Comunicaciones Santiago, S.A.	Elhodoro Yañez. N° 1783. Comuna Providencia Santiago. Chile	Operation and management of TV channels and radio stations	75.52%	456	3,795	1,264
Consorcio Radial de Panamá, S.A.	Urbanización Obarrio, Calle 54 Edificio Caracol. Panamá	Advisory services and commercialisation of services and products	75.52%	8	298	13
Corporación Argentina de Radiodifusión, S.A.	Beazley 3860. Buenos Aires. Argentina	Operation of radio broadcasting stations	75.52%	945	332	(686)
Ecos de la Montaña Cadena Radial Andina, S.A.	Calle 67. N° 7-37. Piso 7. Bogotá. Colombia	Commercial radio broadcasting services	58.00%	0.2	608	66
Emisora Mil Veinte, S.A.	Calle 67. N° 7-37. Piso 7. Bogotá. Colombia	Commercial radio broadcasting services	57.18%	0.3	400	182
Fast Net Comunicaciones, S.A.	Elhodoro Yañez. N° 1783. Comuna Providencia Santiago. Chile	Commercial radio broadcasting services and operation of radio stations	75.52%	2	(3,083)	563
GLR Colombia, Ltda.	Calle 67. N° 7-37. Piso 7. Bogotá. Colombia	Commercial radio broadcasting services	75.52%	263	117	(26)
GLR Chile, Ltda. (*)	Elhodoro Yañez. N° 1783. Comuna Providencia Santiago. Chile	Operation of radio broadcasting stations	75.52%	39,261	82,127	7,297
GLR Services Inc.	Baypoint Office Tower, 4770 Biscayne Blvd. Suite 700 Miami. FL 33137. EE.UU.	Provision of services to radio broadcasting companies	75.52%	4	2,851	(24)
GLR Southern California, LLC	3500 Olive Avenue Suite 250 Burbank, CA 91505. EE.UU.	Provision of services to radio broadcasting companies	75.52%	22,855	(7,445)	(2,309)
Iberoamerican Radio Holding Chile, S.A.	Elhodoro Yañez. N° 1783. Comuna Providencia Santiago. Chile	Commercial radio broadcasting services and operation of radio stations	75.52%	3,656	(6,119)	(941)
Iberoamericana Radio Chile, S.A.	Elhodoro Yañez. N° 1783. Comuna Providencia Santiago. Chile	Commercial radio broadcasting services and operation of radio stations	75.52%	27,371	41,124	4,028
La Voz de Colombia, S.A.	Calle 67. N° 7-37. Piso 7. Bogotá. Colombia	Commercial radio broadcasting services	57.13%	1	656	171
LS4 Radio Continental, S.A.	Rivadavia 835. Ciudad Autónoma de Buenos Aires. Argentina	Radio broadcasting and advertising services	75.52%	4,548	891	162
Prisa Radio Perú, S.A.C.	Avda. Primavera 2160	Publishing of periodicals and other periodicals	75.51%	4		
Promotora de Publicidad Radial, S.A.	Calle 67. N° 7-37. Piso 7. Bogotá. Colombia	Commercial radio broadcasting services	58.18%	1	1,075	296
Publicitaria y Difusora del Norte Ltda.	Elhodoro Yañez. N° 1783. Comuna Providencia Santiago. Chile	Operation of radio broadcasting stations	75.52%	966	4,815	(403)
Radio Estéreo, S.A.	Rivadavia 835. Ciudad Autónoma de Buenos Aires. Argentina	Radio broadcasting and advertising services	75.52%	364	138	39
Radiodifusion Iberoamerican Chile S.A.	Elhodoro Yañez. N° 1783. Comuna Providencia Santiago. Chile	Radio broadcasting and advertising services	75.52%	12,013	29,850	(3)

INDIRECT HOLDINGS

INVESTE	REGISTERED OFFICE	LINE OF BUSINESS	12-31-2017 (In thousands of euros)				
			% OF OWNERSHIP	TAX GROUP (*)	SHARE CAPITAL	SHAREHOLDER'S EQUITY	EBIT
Radio Mercadeo, Ltda.	Calle 67. N° 7-37. Piso 7. Bogotá. Colombia	Commercial radio broadcasting services	46.149%		298	333	(3)
Sociedad de Radiodifusión El Litoral, S.L.	Eliodoro Yahex. N° 1783. Comuna Providencia Santiago. Chile	Rental of equipment and advertising sales	75.520%		7	4,031	293
Sociedad Radiodifusora del Norte, Ltda.	Eliodoro Yahex. N° 1783. Comuna Providencia Santiago. Chile	Operation of radio broadcasting stations	75.520%		264	1,697	(22)
Societat de Comunicació i Publicitat, S.L.	Parc. de la Mola, 10 Torre Calde, 6° Escalade. Engordany. Andorra	Operation of radio broadcasting stations	74.76%		30	(1,190)	(33)
W3 Comm. Inmobiliaria, S.A. de C.V.	Carretera Libre Tijuana. Enseñada 3100. Rancho Altamira Blvd Popolla y Camino al FRACC Misión del Mar. Playas de Rosarito. Baja California. EE.UU.	Real estate development services	75.520%		3,075	2,390	2
Cadena Radiodifusora Mexicana, S.A. de C.V.	Calzada de Tlalpan 3000 col Espartaco México D.F. 04870. México	Operation of radio broadcasting stations	37.76%		1,174	-	-
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	37.76%		5,672	5,781	1
El Dorado Broadcasting Corporation	2100 Coral Way. Miami. Florida. EE.UU.	Development of the Latin radio market in the US	18.88%		196	(1,437)	-
CLR Costa Rica, S.A.	Llorente de Hibis. Edificio La Nación. San José. Costa Rica	Operation of radio broadcasting stations	37.76%		1,020	1,129	215
Green Emerald Business Inc.	Calle 54. Obarrio N° 4. Ciudad de Panamá. Panamá	Development of the Latin radio market in Panama	26.39%		3,986	(5,943)	(539)
Multimedios GLP Chile SPA	Av. Andrés Bello 2325 Piso 9. Providencia	Commercial radio broadcasting services	37.76%		1,044	(1,444)	(1,306)
Promotora Radial del Llano, LTDA	Calle 67 N° 7-37 Piso 7 Bogotá. Colombia	Commercial radio broadcasting services	38.525%		1	45	21
Q'Hubo Radio, S.A.S	CL 57 No 17 - 48 Bogotá. Colombia	Operation of radio broadcasting stations	29.09%		120	(310)	(113)
Radio Comerciales, S.A. de C.V.	Rubén Darío n° 158. Guadalajara. México	Operation of radio broadcasting stations	37.76%		1,044	1,113	159
Radio Melodia, S.A. de C.V.	Rubén Darío n° 158. Guadalajara. México	Operation of radio broadcasting stations	37.76%		23	210	252
Radio Tapafía, S.A. de C.V.	Rubén Darío n° 158. Guadalajara. México	Operation of radio broadcasting stations	37.76%		80	312	348
Radiotelevisora de Mexicali, S.A. de C.V.	Avenida Reforma 1270. Mexicali Baja California. México	Operation of radio broadcasting stations	37.76%		390	521	314
Servicios Radiópolis, S.A. de C.V.	Calzada de Tlalpan 3000 col Espartaco México D.F. 04870. México	Operation of radio broadcasting stations	37.76%		14	334	43
Sistema Radiópolis, S.A. de C.V. (**)	Calzada de Tlalpan 3000 col Espartaco México D.F. 04870. México	Operation of radio broadcasting stations	37.76%		2	47	15,294
Unión Radio del Pirineu, S.A.	Avenida Vasco de Quiroga 2000. México D.F. México	Operation of radio broadcasting stations	24.92%		249	325	(1)
W3 Comm Concesionaria, S.A. de C.V.	Carrer Prat del Creu, 32. Andorra	Advisory services on business administration and organisation	75.13%		6	(458)	(60)
WSUA Broadcasting Corporation	Carretera Libre Tijuana. Enseñada 3100. Rancho Altamira Blvd Popolla y Camino al FRACC Misión del Mar. Playas de Rosarito. Baja California. EE.UU.	Radio broadcasting	18.88%		587	(4,446)	191
Xezz, S.A. de C.V.	2100 Coral Way. Miami. Florida. EE.UU.	Operation of radio broadcasting stations	37.76%		40	83	(26)
MÚSICA							
Gran Via Musical de Ediciones, S.L.	Gran Vía, 32. Madrid	Provision of musical services	75.52%	2/91	3,000	(2,141)	(3,828)
Planet Events,S.A.	Gran Vía, 32. Madrid	Production and organisation of shows and events	75.52%	2/91	120	(2,649)	(2,651)
Prisa Música, S.A.	Gran Vía, 32. Madrid	Production and organisation of shows and events	75.52%	2/91	712	(2,284)	(2,827)
Prisa Música América, S.A.S	Calle 98 N° 18 - 71 Oficina 401	Production and organisation of shows and events	75.52%		537	(2,581)	(2,533)

(*) Consolidated tax group Promotora de Informaciones, S.A.: -2/91

(**) Consolidated data

INDIRECT HOLDINGS

APPENDIX II

INVESTE	REGISTERED OFFICE	LINE OF BUSINESS	12-31-2017 (in thousands of euros)				EBIT
			% OF OWNERSHIP	TAX GROUP (*)	SHARE CAPITAL	SHAREHOLDER S' 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	691	(573)
As Chile SPA	Elotodoro Yáñez 1783, Providencia, Santiago, Chile	Publication and operation of As newspaper in Chile	75.00%		908	162	(211)
Diario AS Colombia, SAS	Cl 98, nº 1871 Of.401, Bogotá D.C.	Publication and operation of As newspaper in Colombia	75.00%		626	(10)	(208)
Diario AS USA, Inc.	2100 Coral Way Suite 603, 33145 Miami, Florida	Publication and operation of As newspaper in USA	75.00%		0.1	366	355
Noticias AS México S.A. de C.V.	Calle Talpan, 3000, Col. Espartero, 04870, México, D.F.	Publication and operation of As newspaper in Mexico	75.00%		987	301	(176)
Diario AS, S.L.	Valentín Beato, 44, Madrid	Publication and operation of As newspaper	75.00%	2/91	1,400	47,728	3,044
Diario El País Argentina, S.A.	Leandro N. Alem, 720, Buenos Aires, 1001, Argentina	Operation of El País newspaper in Argentina	100.00%		941	(341)	
Diario El País Do Brasil Distribuidora de Publicações, LTDA.	Rua Padre Adelino, 758 Bezezinho, CEP 03303-904, São Paulo, Brasil	Operation of El País newspaper in Brazil	100.00%		7,453	56	(2,047)
Prisa Noticias 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	0
Diario El País, S.L.	Miguel Yuste, 40, Madrid	Holding	100.00%	2/91	4,200	(12,337)	(15,436)
Ediciones El País (Chile) Limitada.	Elotodoro Yáñez 1783, Providencia, Santiago, Chile	Publication, operation and sale of El País newspaper in Chile	100.00%		3,351	92	(301)
Ediciones El País, S.L.	Miguel Yuste, 40, Madrid	Publication, operation and sale of El País newspaper	99.99%	2/91	3,306	13,829	6,481
Espacio Digital Editorial, S.L.	Gran Vía, 32, Madrid	Edition and exploitation of Huffinton Post digital for Spain	100.00%	2/91	8,301	10,647	568
Estructura, Grupo de Estudios Económicos S.A.	Miguel Yuste, 42, Madrid	Publication and operation of Cinco Dias newspaper	100.00%	2/91	60	(631)	(683)
Grupo de Medios Impresos y Digitales, S.L.	Gran Vía, 32, Madrid	Documentation services	100.00%	2/91	990	20,523	(712)
Meristation Magazine, S.L.	Almogaveros 12, Llagostera, Girona	Documentation services	100.00%	2/91	6	(78)	(142)
Pressprint, S.L. (Sociedad Unipersonal)	Valentín Beato, 44, Madrid	Production, printing, publication and distribution of products format	100.00%	2/91	21,500	13,169	(12,103)
Prisa Eventos, S.L.	Miguel Yuste, 40, Madrid	Operation of press media	100.00%	2/91	3	(29)	(51)
As Arabia For Marketing, W.L.L.	D Ring Road, 3488, Doha, Qatar	As on line newspaper marketing in Arabic in the countries of the Middle East and North Africa	49.00%	2/91	(196)	(52)	(44)
Betmedia Soluciones, S.L. (*)	Rua de Garrucha, 8, Santa Cruz, 15179 A Coruña	Development, management and operation of websites, platforms and software to perform activities related to the game	25.00%		6	381	35
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	(611)	(47)
Le Monde Libre Société Comandité Simple (*)	17, Place de la Madeleine, Paris	Holding	20.00%		38	(15,939)	(78)

(*) Consolidated tax group Promotora de Informaciones, S.A.; 2/91

(†) Data as of November 2017

(‡) Data as of December 2016

INDIRECT HOLDINGS

INVESTE	REGISTERED OFFICE	LINE OF BUSINESS	12-31-2017 (in thousands of euros)			
			% OF OWNERSHIP	TAX GROUP (*)	SHARE CAPITAL	SHAREHOLDERS' EQUITY
MEDIA CAPITAL						
Argumentos para Audiovisual, Lda. (CASA DA CRIAÇÃO)	Rua Mário Castelhanho, 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	(34)
COCO-Companhia de Comunicação, Unipessoal, Lda.	Rua Sampaio e Pina, n.ºs 24-26 1099 044 Lisboa, Portugal	Radio broadcasting	94,64%		50	54
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	12
Emissões de Radiodifusão, S.A. (RADIO REGIONAL DE LISBOA)	Rua Sampaio e Pina, 24/26, 1099-044, Lisboa, Portugal	Radio broadcasting	94,69%		110	(214)
Empresa de Meios Audiovisuais, Lda. (EMAV)	Rua Mário Castelhanho, 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, rails, etc.)	94,69%		50	922
Empresa Portuguesa de Cenários, Lda. (EPC)	Rua Mário Castelhanho, n.º 40, Queluz de Baixo 2734 502 Barcarena, Portugal	Design, construction and installation of decorating accessories	94,69%		50	(564)
Grupo Media Capital, SCPS, S. A.	Rua Mário Castelhanho n.º 40, Queluz de Baixo, Portugal	Holdings	94,69%		89,584	96,030
Leitmedia, 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%		5	13
Media Capital Digital, S.A.	Rua Mário Castelhanho, 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	(2,576)
Media Capital Música e Entretenimento, S.A. (MCME)	Rua Mário Castelhanho, 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	(949)
Media Capital Produções, S.A. (MCP)	Rua Mário Castelhanho, 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	4,652
Media Capital Rádios, SA (MCR II)	Rua Mário Castelhanho, 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	(4,238)
Media Global, SCPS, S.A. (MEGLO)	Rua Mário Castelhanho, N.º 40, 2734-502, Barcarena, Portugal	Holdings	94,69%		37,098	98,814
Moliceiro, Comunicação Social, Lda.	Rua Sampaio e Pina, 24/26, 1070 249, Lisboa, Portugal	Broadcasting activity	94,69%		5	19
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	94,69%		5	174
NOTIMIA-Publicações e Comunicações, S.A.	Rua Sampaio e Pina, n.ºs 24/26 1099 044 Lisboa, Portugal	Radio broadcasting	94,69%		5	76
BEIRAS FM - Radiodifusão e Publicidade, Unipessoal, Lda. ("BEIRAS FM") (Antes <i>Penúlia do Castelo FM Radiodifusão e Publicidade, Lda.</i>)	Rua Sampaio e Pina, n.º 24-26 1070 249 Lisboa, Portugal	Broadcasting in production areas and programs transmission	94,69%		5	(105)
Plural Entertainment España, S.L.	Gran Vía, 32, Madrid	Production and distribution of audiovisual content	94,69%	2/91	6,000	17,041
Plural Entertainment Inc.	1680 Michigan Avenue, Suite 730, Miami Beach, EE.UU.	Production and distribution of audiovisual content	94,69%		109	(3,385)
Plural Entertainment Portugal, S.A.	Rua Mário Castelhanho, 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	35,996
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	(67)
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	(20)
Produção de Eventos, Lda. (MEDIA CAPITAL ENTERTAINMENT)	Rua Mário Castelhanho, 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	(585)

(*) Consolidated tax group Promotora de Informaciones, S.A.: 2/91

INDIRECT HOLDINGS

APPENDIX II

INVESTEE	REGISTERED OFFICE	LINE OF BUSINESS	12-31-2017 (In thousands of euros)				EBIT
			% OF OWNERSHIP	TAX GROUP (€)	SHARE CAPITAL	INTERIM DIVIDEND	
Produções Audiovisuais, S.A. (NBP IBERICA)	Almagro 13, 1º Izquierda, 28010, Madrid	Inactive	94,69%		60	13	-
Produções Audiovisuais, S.A. (RADIO CIDADÉ)	Rua Sampaio e Pina, 24/26, 1099-044, Lisboa, Portugal	Radio broadcasting, production of audio or video advertising spots, Advertising production and recording of discs, Development and production of radio programmes	94,69%		50	248	202
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	94,69%		5	20	14
Rádio Comercial, S.A. (COMERCIAL)	Rua Sampaio e Pina, 24/26, 1070-249, Lisboa, Portugal	Radio broadcasting in the areas of programme production and transmission	94,69%		500	5,472	4,493
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	94,69%		5	28	25
Rádio Litoral Centro, Empresa de Radiodifusão, Lda.	Rua Sampaio e Pina, 24-2, 1099-044 Lisboa, Portugal	Radio broadcasting in the areas of programme production and transmission	94,69%		5	20	15
Rádio Nacional - Emissões de Radiodifusão, Unipessoal Lda.	Rua Sampaio e Pina, r/s 24-26, 1099 044 Lisboa, Portugal	Radio broadcasting in the areas of programme production and transmission	94,69%		5	20	14
Rádio Voz de Alcanena, Lda. (RVA)	Rua Sampaio e Pina, r/s 24-26, 1099 044 Lisboa, Portugal	Radio broadcasting in the areas of programme production and transmission	94,69%		5	22	15
Rádio XXI, Lda. (XXI)	Rua Sampaio e Pina, 24/26, 1099-044, Lisboa, Portugal	Advisory services, guidance services and operational assistance to public relations	94,69%		5	(1,015)	78
Flor Do Éter Radiodifusão, Lda.	Rua Sampaio e Pina, r/s 24-26, 1099 044 Lisboa, Portugal	Radio broadcasting in the areas of programme production and transmission	94,69%		5	11	3
R.C. - Empresa de Radiodifusão, Unipessoal, Lda.	Rua Sampaio e Pina, r/s 24-26, 1099 044 Lisboa, Portugal	Radio broadcasting in the areas of programme production and transmission	94,69%		5	59	43
Serviços de Consultoria e Gestão, S.A. (MEDIA CAPITAL SERVIÇOS)	Rua Mário Castelhano, Nº 40, 2734-502, Barcarena, Portugal	Services, publication and sale of electronic goods and services	94,69%		100	209	184
Serviços de Internet, S.A. (IOL NIFCOCIOS)	Rua Mário Castelhano, 40, Queluz de Baixo 2734 502 Barcarena, Portugal	Production of multimedia, audiovisual and photogram storage media	94,69%		100	253	206
SIRPA, Sociedade de Imprensa Rádio Paralelo, Lda.	Rua Sampaio e Pina, 24/26, 1099-044, Lisboa, Portugal	Broadcasting in production areas and programs transmission	94,69%		5	156	24
Sociedade de Produção e Edição Audiovisual, Lda (FAROL MÚSICA)	Rua Mário Castelhano, Nº 40, 2734-502, Barcarena, Portugal	Production of multimedia, audiovisual and photogram storage media	94,69%		5	(2,010)	180
Televisão Independente, S.A. (TVI)	Rua Mário Castelhano, Nº 40, 2734-502, Barcarena, Portugal	Performance of any TV-related activity such as the installation, management and operation of any TV channel or infrastructure	94,69%		15,926	54,941	30,085
Tesela Produções Cinematográficas, S.L.	Gran Via, 32, Madrid	Production and distribution of audiovisual content	94,69%	2/91	1,034	5,749	(6)
Plural Entertainment Canarias, S.L.	Dársena Pesquera, Edificio Plató del Atlántico, San Andrés 38180, Santa Cruz de Tenerife	Production and distribution of audiovisual content	100,00%	2/91	75	22	(1)
Chip Audiovisual, S.A. (€)	Coso, 100, Planta 3ª, puerta 4-5/001, Zaragoza	Audiovisual productions for TV	7,50%		600	1,714	485
Factoría Plural, S.L. (€)	Calle Biarritz, 2, 50017 Zaragoza	Production and distribution of audiovisual content	15,00%		175	2,272	426
Nuntium Tv, S.L. (€)	Avenida Alcalde Ramirez Belhencourt, nº 8, Las Palmas de Gran Canaria	Realization, execution and broadcasting of audiovisual programs, radio programs and / or podcasts of informative content, entertainment, and other complementary services necessary for their emission through all kinds of technologies	45,00%		4	12	(1)
Productora Canaria de Programas, S.A.	Enrique Wolfson, 17, Santa Cruz de Tenerife	Development of a promotional TV channel for the Canary Islands	40,00%		601	0	3
Sociedad Canaria de Televisión Regional, S.A.	Avenida de Madrid s/n, Santa Cruz de Tenerife	Audiovisual productions for TV	40,00%		910	(300)	436

(*) Consolidated tax group Promotora de Informaciones, S.A., 2/91

INDIRECT HOLDINGS

APPENDIX II

INVESTEЕ	REGISTERED OFFICE	LINE OF BUSINESS	12-31-2017 (In thousands of euros)				
			% OF OWNERSHIP	TAX GROUP (*)	SHARE CAPITAL	SHAREHOLDERS' EQUITY	EBIT
TELEVISIONES LOCALES							
Collserola Audiovisual, S.L. (En liquidación)	Plaza Narcís Oller, N° 61º, 1º. 08006, Barcelona	Provision of local television services	92.50%	2/91	19	19	-
Málaga Altavisión, 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 Albarrán, 2. Badajoz	Provision of local television services	61.45%		498	(1,692)	-
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	780	-

(*) Consolidated tax group Promotora de Informaciones, S.A.: 2/91

(†) Datos a noviembre de 2017

INDIRECT HOLDINGS

APPENDIX II

INVESTE	REGISTERED OFFICE	LINE OF BUSINESS	12-31-2017 (in thousands of euros)							
			% OF OWNERSHIP	TAX GROUP (*)	SHARE CAPITAL	INTERIM DIVIDEND	SHAREHOLDERS' EQUITY	EBIT		
DIGITAL										
Infotecnia 11824, S.L.	Ronda de Poniente 7, Tres Cantos, Madrid	Provision of telecommunications services	60,00%		40		52	6		
Prisa Tecnología, S.L.	Gran Vía, 32, Madrid	Provision of internet services	100,00%	2/91	1,260		(1,021)	(1,111)		
IMPRESION										
Bidasoa Press, S.L.	Calle Maílilla Nº 134, 46026, Valencia	Printing Publishing Products	100,00%	2/91	2,047		(774)	(6,182)		
Distribuciones Aliadas, S.A.	Polígono Industrial La Isla, Parcela 53, 41700 Dos Hermanas, Sevilla	Printing Publishing Products	100,00%	2/91	2,100		9,090	(41)		
Noerprensa, S.A.	Parque Empresarial IN-F, Calle Costureiras, s/n 27003, Lugo	Printing Publishing Products	100,00%	2/91	270		84	(31)		
Prisaprint, S.L.	Gran Vía, 32, Madrid	Management of printing companies	100,00%	2/91	3,000		(9,493)	(5,135)		
PRISA BRAND SOLUTIONS										
Eresmas Interactiva Inc.	2600 Douglas Road Suite 502 Coral Gables Miami Florida USA 33134	Advertising marketing in digital media.	100,00%		13,487		353	129		
Fullscreen Solutions, S.A. de C.V.	Moncteco 38 Piso 6 Oficina 24 Col. Nápoles Del, Benito Juárez Ciudad de México 03100	Video advertising marketing	84,00%		0,1		(296)	(265)		
Latam Digital Ventures, LLC (LIDV)	2600 Douglas Road Suite 502 Coral Gables Miami Florida USA 33134	Holding	100,00%		-		-	-		
Mobvious Corp.	2600 Douglas Road Suite 502 Coral Gables Miami Florida USA 33134	Advertising marketing in digital media.	60,00%		55		414	433		
Prisa Digital Inc.	2100 Coral Way, Suite 200, Miami, Florida, 33145, EE.UU.	Provision of internet services	100,00%		6,892		296	31		
Starm Interactiva, S.A. de C.V.	Moncteco 38 Piso 6 Oficina 24 Col. Nápoles Del, Benito Juárez Ciudad de México 03100	Advertising marketing in digital media.	100,00%		77		177	(296)		
OTROS										
Grupo Latino de Publicidad Colombia, SAS	Carrera 9, 9907 Oficina 1200, Bogotá, Colombia	Operation and advertising marketing	100,00%		190		1,009	430		
Prisa Inc.	Gran Vía, 32, Madrid	Holding	100,00%	2/91	10,000		172,109	66		
Prisa Im. S.A. (Antes Solomielos, S.A.)	2100 Coral Way Suite 200 Miami 33145 U.S.A.	Business Management in USA And North America	100,00%		1,287		(385)	(2)		
Prisa Producciones de Vídeo, S.L.	C/ Valentin Beato, 48, Madrid	Advertising management	100,00%	2/91	180		(23)	(282)		
Promotora de Actividades América 2010 - México, S.A. de C.V.	Gran Vía, 32, Madrid	Production, distribution and audiovisual marketing	100,00%	2/91	3		(1,434)	(1,853)		
	Avenida Paseo de la Reforma 300, Piso 9, Col. Juárez, 06600. México, D.F., México	Development, coordination and management of projects related to the commemoration of the Bicentennial of the Independence of the American nations	100,00%		3		(665)	-		

(*) Consolidated tax group Promotora de Informaciones, S.A.; 2/91

(1) Data as of November 2017

PROMOTORA DE INFORMACIONES, S.A. (PRISA)

Individual Directors' Report for 2017

PROMOTORA DE INFORMACIONES, S.A. (PRISA)

DIRECTOR'S REPORT FOR 2017

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 25 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 and 133.7 million of unique browsers (Source: Adobe Omniture +Netscape, Jan-Dec'17) 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 three business areas: **Santillana, Noticias and Radio**, all of which are undergoing a process of digital transformation and Media Capital.

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.

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 108.4 million unique browsers from throughout the world (Source: Adobe Omniture +Netscape, Jan-Dec'17).

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, 36.6% of the unique browsers of this newspaper are from the Americas and 56.8% from Spain.

Diario As is a leading daily sports newspaper with 45.1 million of unique browsers throughout the world (Source: Adobe Omniture +Netscape, Jan-Dec'17). In 2013, it started to expand internationally and actually have edition in Chile, Colombia, Mexico, Argentina, USA, Peru, South Africa, Singapore and Malaysia. It has an edition in English, AS English, and a global edition for all of America, AS America. Currently, 47.1% of the users of the newspaper are international.

Within the framework of the internationalization strategy, in August 2017 the agreement was announced for the launch of the AS Arabia digital edition, with which the Diario AS intends to bring the best information to Arab readers. It is a project that will reach 25 countries in the Middle East and North Africa, from Mauritania to Iraq. This project consolidates the international expansion of Diario AS, which celebrated its 50th anniversary in 2017, and reinforces its position as one of the leaders of the sector.

Radio is the world's largest Spanish-language radio broadcasting group with nearly 23 million listeners and 39.8 million unique browsers online (Adobe Omniture, Jan-Dec'17) and more than 1,000 radio stations, either directly owned or associates, spread out over thirteen 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.

Lastly, **Media Capital**, a leading media group in Portugal present in the television, radio and audiovisual production businesses, at December 31, 2017 is presented as a discontinued activity in the Group's financial information. This is due to the agreement reached between Prisa and Altice NV for the sale to a subsidiary of Altice of the total Prisa stake in Vertex - which implies the indirect transfer of Prisa's stake in Media Capital - pending to the mandatory authorization of the Portuguese competition authorities.

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 in the medium term, in addition to continuing with financial optimization and debt reduction plans.

Financial targets and strategy

As described in the consolidated financial statements of Prisa for 2017, at the end of 2017 the Group's main financial commitment is the maturity of EUR 956.5 million in December 2018, corresponding to Tranche 2 of its financial debt.

During 2016, 2017 and 2018, a series of measures have been taken to deal with this maturity and strengthen the Group's financial and equity structure, such as capital increase and asset sale operations.

In this sense, in April 2016, an issue of necessarily convertible bonds in newly issued common shares was subscribed through the exchange of the company's financial debt, amounting to 100.7 million euros. In October 2017 they have been converted into shares in advance.

In addition, and in order to strengthen the financial structure of the Group, on July 13, 2017, the Board of Directors of Prisa accepted a binding offer put forward by Altice NV for the sale of Vertex, owner of Media Capital for an approximate price in line with the company's best estimates (equity value) of around EUR 321.5 million.

Likewise, the General Shareholders' Meeting held on November 15, 2017 approved a capital increase amounting to EUR 450 million, this amount was subsequently extended in EUR 113.2 million. In February 2018, the capital increase was subscribed and paid out in the amount of EUR 563.2 million.

Furthermore, as of January 22, 2018, the company had signed a framework agreement with all the financial creditors of the *Override Agreement* to refinance and modify the terms of Prisa's current financial debt, adapting the maturity schedule of the bank debt to the cash generation profile of the Group's businesses.

During 2018, 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

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 monitor the performance of its businesses and establish operational and strategic objectives for Group companies.

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

The following tables detail the reconciliation between EBITDA and the Group's operating income for each of the segments of 2017 and 2016 (in millions of euro):

	12.31.2017				
	Education	Radio	Press	Other	Prisa Group
PROFIT FROM OPERATIONS	110.2	28.4	(14.1)	(18.8)	105.7
Depreciation and amortisation	53.0	8.2	7.5	1.0	69.7
Change in operating allowances	14.1	2.4	1.1	0.3	17.9
Impairment of goodwill	0.0	0.0	0.8	(0.2)	0.6
Impairment of assets	2.0	2.4	8.7	(0.0)	13.1
EBITDA	179.3	41.4	4.0	(17.7)	207.0

	12.31.2016				
	Education	Radio	Press	Other	Prisa Group
PROFIT FROM OPERATIONS	98.6	28.2	7.1	(34.4)	99.5
Depreciation and amortisation	55.4	7.8	7.4	4.4	75.0
Change in operating allowances	14.7	4.6	0.7	8.5	28.5
Impairment of goodwill	0.0	0.4	0.0	0.0	0.4
Impairment of assets	2.2	0.3	0.0	0.2	2.7
EBITDA	170.9	41.3	15.2	(21.3)	206.1

Business performance for 2017 was as follows:

- Operating earnings for **Education** amounted to EUR 656.2 million (+2.9% compared to 2016), including a EUR 8.3 million positive exchange rate impact. Excluding the exchange rate impact, income increased compared to 2016 (+1.6%). EBITDA reached EUR 179.3 million (+4.9%). Excluding the exchange rate effect, EBITDA increased +1.5% over 2016 (exchange rate impact of EUR 5.8 million).
 - Campaigns in the south area closed with a solid performance in the most important countries. Brazil stands out with an 18% rise in earnings in constant currency.
 - Campaigns in the north area (mainly Spain and Mexico) saw earnings fall (-9.2% in local currency), mainly due to the Spanish market in 2017 which saw no new products in contrast to 2016. Only Mexico and Ecuador

- increased earnings over the previous year (+3% and +14% in local currency respectively).
- The digital education systems (UNO and Compartir) continued to expand in Latin America, with growth in enrolment to 932,606 students.
 - Norma began consolidation in the Santillana accounts in October 2016. Its contribution to earnings in 2017 was EUR 33 million.
- Operating income in **Radio** reached EUR 280.7 million, below the previous year (-6.8%) in both Spain and Latin America (-6.3% excluding exchange rate effect), and EBITDA came in at EUR 41.4 million, practically in line with 2016 (+0.2%, with a +1.8% change without the exchange rate impact).
 - The drop in earnings compared to 2016 is due to RLM, S.A. (Music business) no longer being in the consolidation framework in 2016 and the closure of the content syndication business in the USA (GLR Networks, LLC), which in 2016 contributed EUR 7.2 million albeit with negative margins.
 - Advertising for Prisa Radio in Spain fell back slightly, with a -0.6% change. Advertising decreased in Latin America by -5.1% (-3.8% excluding the exchange rate effect).
 - Revenue dropped by -4.4% in EUR in Latin America (-2.8% in local currency). The good performance in local currency in Chile and Argentina could not offset the decline in Colombia and the USA.
 - There was a negative exchange rate impact of EUR -1.5 million in revenue and EUR -0.6 million in EBITDA.
 - According to the last EGM, Prisa Radio in Spain maintained its leadership for both generalist and music radio.
 - In the **Noticias** division, operating income came in at EUR 220.6 million (-8.1%). Traditional advertising, circulation and promotions decreased. The rise in digital advertising and cost savings partially offset these impacts. EBITDA was EUR 4 million, decreasing by EUR 11.3 million compared to the same period for the previous year, in part due to higher compensation paid.
 - Revenue was impacted by the effect of the UEFA European Championship and 40th Anniversary of El País in 2016.
 - Advertising revenue was 7.9% lower for the period.
 - Digital advertising rose 4% (representing 46% of all advertising revenue in the division).
 - Traditional advertising fell -16%.
 - Circulation revenue continued to see a 13% decrease.
 - An average of 108.4 million unique visitors was recorded in 2017 (+23%).
 - El País strengthened its position as the top Spanish-language newspaper in world media rankings and AS maintained its digital leadership in America.
 - **Media Capital** is presented as a discontinued operation. Its revenue reached EUR 165.5 million (-4.9%) in the year and EBITDA came in at EUR 40.7 million (-3.6%). Tight cost controls offset the decline in advertising and value added call business.
 - TVI maintained its 24-hour and prime time leadership, hitting average daily audiences of 22% and 25% respectively for total Television audiences.

- Media Capital radio maintained its number one position in listeners (Radio Comercial had a 24% share).

Prisa defines the exchange rate effect as the difference between the financial magnitude converted using the exchange rate of the current fiscal year and the same financial magnitude converted using the exchange rate on the previous fiscal year. The following table shows the exchange rate effect on operating income and EBITDA for the Education and Radio business and for the Prisa Group (in millions of euros):

	2017	Exchange rate effect	2017 excluding exchange rate effect	2016	Change excluding exchange rate effect	Change (%) excluding exchange rate effect
Education (*)						
Operating income	656.2	8.3	647.9	637.5	10.3	1.6%
EBITDA	179.3	5.8	173.5	170.9	2.6	1.5%
Radio						
Operating income	280.7	(1.5)	282.2	301.1	(18.8)	(6.3%)
EBITDA	41.4	(0.6)	42.0	41.3	0.7	1.8%
Prisa Group						
Operating income	1,170.7	6.5	1,164.2	1,184.5	(20.3)	(1.7%)
EBITDA	207.0	5.2	201.8	206.1	(4.3)	(2.1%)

(*) Excluding the exchange rate effect of Venezuela.

The Group's **net bank debt** decreased by EUR 64.6 million for the year and came in at EUR 1,421.6 million to December 2017.

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

The following table shows the composition of this indicator as of December 31, 2017 and December 31, 2016:

	Million of euros	
	12.31.17	12.31.16
Non-current bank borrowings	642.2	1,653.5
Current bank borrowings	1,002.6	68.5
Loan arrangement costs	17.3	30.1
Current financial assets	(23.3)	(19.5)
Cash and cash equivalents	(217.2)	(246.4)
NET BANK DEBT	1,421.6	1,486.2

Net bank debt as of December 31, 2016 included EUR 98.5 million from Media Capital and EUR 4.3 million from Vertex. As of December 31, 2017, the net bank debt of Media Capital stood at EUR 95.5 million and is classified in the sections '*Non-current assets held for sale*' and '*Non-current liabilities linked to assets held for sale*'.

3. OUTLOOK

The media industry is highly sensitive to trends in the main macroeconomic variables (i.e. GDP), consumption and, especially, the advertising cycle. Furthermore, businesses such as Education and Radio with an international presence are affected by changes in the exchange rates of the countries in which they operate. The economic management of these businesses will also be affected by predictable changes in the variables.

According to the IMF (data from October 2017), the growth forecasts for the economies on the Iberian Peninsula remain valid for 2018.

In turn, Prisa's activities and investments in Latin America are exposed to the performance of different macroeconomic inputs in every country, including changes in consumer demand due to a higher or lower growth rate in some countries or the performance of their economies.

According to the IMF (October 2017), growth will be ongoing in all countries where Prisa operates in 2018, at a higher rate than in 2017, except Mexico (which will see growth albeit at a lower rate due to the uncertainties around the renegotiation of the North American Free Trade Agreement and the presidential elections), Venezuela and Puerto Rico. Brazil will see a higher growth rate (1.5%) while the upswing in Colombia, Chile and Peru stands out. Argentina expects to see similar growth in 2018 compared to the previous year (+2.5%).

Group business performance will be affected by economic growth. Group earnings will also be affected by the performance of exchange rates. Group revenues in Latin America in 2017 were positively impacted by the strong exchange rate in Brazil, Chile and Peru. The performance of the exchange rate moderated in the latter six months of the year (negative for the period). There is an expected depreciation of all Latin American currencies for 2018 compared to the previous year.

Another factor which affects future developments is the advertising cycle. Nevertheless, Prisa Group's exposure to the performance of the advertising market is limited due to its diversified revenue mix (advertising revenues accounted for 29.8% of the total in 2017). Businesses that rely heavily on advertising have a high percentage of fixed costs, and consequently any increase in advertising revenues has major implications for earnings, improving the Group's margins and its cash position.

Digital advertising continues to see growth. Effectively, revenues rose by 3.2% in 2017, with press increasing its share of total advertising revenues to 46% (from 41% in 2016). According to data from i2P (October 2017), growth is predicted to continue in 2018.

The advertising market in Spain throughout 2017 remained static (falling -0.3%) according to the i2P report. The same report estimates a return to overall growth for the Spanish market of +1.1% in 2018.

Group advertising revenues in Spain declined -3.0% in 2017, impacted by the 40th anniversary of El País in 2016 and the UEFA European Championship in the same year. Excluding these two events, the decline would have been -0.7% due to less national Radio advertising and declining print advertising in Press. This was partly offset thanks to the local advertising performance for Radio and digital advertising for Press. Advertising revenues are forecast to grow in line with market growth in 2018 supported by digital expansion, events such as the World Cup and better advertising performance in the Radio division (both national and local).

In Latin America, the Price Waterhouse Coopers (PwC) Global Entertainment and Media Outlook Report 2017-2021 forecasts 3.5% growth in 2017 for the radio advertising market sector. Prisa Radio in Latin America declined -3.8% at constant exchange rates, impacted by the sale of GLR Networks at the end of 2016. Excluding this effect, the decline was -1.6%, impacted by the situation in Colombia. Prisa Radio is expected to see improvements

and return to growth in 2018 (especially in Colombia), with growth forecast for the market (+3.6% according to PwC).

In Portugal (which is included in the Group accounts as a discontinued operation), performance in the advertising market in 2017 suffered a slowdown in the terrestrial television sector (-1.6% according to internal estimates), while both radio (+9.6%) and internet (+14%) continued to see growth. In this context, advertising revenue at Media Capital declined 2% compared to 2016, due to the declines in the television sector. The market is expected to rebound in television in 2018 and see continued growth on the internet, while radio is forecast to remain flat. In this sense, growth at Media Capital is expected to outstrip market forecasts.

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 2017 contributed 56.1% of total Group revenues and 86.6% of EBITDA. Revenue of the Group in Latin America expanded +3.8% in the year, partly due to a positive exchange rate effect (+2.8% at constant exchange rate). At constant exchange rates, Education expanded +1.6% thanks to 2017 being a high cycle year for institutional sales in Brazil and the good business performance in Argentina. For this reason, and due to Norma's consolidation throughout 2017 (it began consolidation in October 2016), performance of the campaigns in the south area in general was positive in 2017. The campaigns in the north, however, declined -9.2% at constant exchange rates, being affected by no new products in Spain and by the decline in business in Puerto Rico (hurricane María), the Dominican Republic (lower bids for institutional sales) and the USA (no adoptions in Texas). In turn, the digital education systems (UNO and Compartir) continued to expand in Latin America, with growth in enrolment and turnover (in local currencies). Performance in 2018 will, in terms of Systems, mainly depend on signing up students to UNO and Compartir, the changes in the exchange rates (local currencies are forecast to depreciate) and growth in most countries, except Spain (doubling-up effect, cost-free status in Madrid and purchase of books in Andalusia) and Brazil (low cycle year for institutional sales). Norma is forecast to see continued growth.

Part of Group growth for 2018 will rely on digital expansion. Digital audience numbers rose sharply (133.7 million unique browsers at the end of December 2017, up 16% from the previous year). In 2018, the Company will continue efforts to boost digital growth in all its business lines. Specifically, in Press the focus will remain on fully leveraging the leadership positions of the El País and As newspapers, not only in Spain, but also in the American market.

The Group will remain active in strengthening its balance sheet structure, reducing debt and focusing on cash generation in 2018.

4. MAIN RISKS ASSOCIATED TO THE BUSINESS

The businesses of Group subsidiaries and, therefore, their operation and earnings are subject to risks that may be grouped into the following categories:

- Strategic and operational risks
- Risks relating to the financial and equity situation.

Strategic and operational risks

Macroeconomic risks-

The evolution in macroeconomic variables affect to the Group business performance in Spain and America.

In the 2017 financial year, 55% of Group operating income came from international markets. Nevertheless, Spain continues to be the Group's main geographical market (representing 45% of Group operating income).

The main consumer figures in Spain saw major declines in the past that have affected, and may continue to do so if growth comes in below forecasts, spending by Group customers on its products and services, including advertisers and other clients of Prisa content offers.

With regard to Prisa's business and investments in Latin America, we should state that it is the highest risk region among developing nations due to its links with the United States and China, especially when it comes to Brazil and Chile, where the economy is dependent on commodity exports to China and the United States, among others.

Macroeconomic declines could negatively affect the Group's position in terms of earnings and cash generation, as well as the value of Group assets.

Decline in the advertising market-

An important part of Prisa's operating income comes from the advertising market, mainly in its press and radio businesses. As of December 31, 2017, advertising revenue represented 29.8% of Group operating income. Spending by advertisers tends to be cyclical and reflects the general economic situation and outlook.

If macroeconomic figures worsen in the countries where the Group operates (especially GDP), the spending outlook for advertisers could be negatively impacted. Given the large fixed expenses component linked to businesses which rely heavily on advertising, any decline in advertising revenues directly affects operating profits and, therefore, the Group's ability to generate cash.

Changes occurring to the tradition media business-

Press revenues from the sale of copies and subscriptions continue to be negatively impacted by the growth of alternative distribution media, including free news websites and other content.

Along the same lines, the proliferation of alternative digital communication, including social networks or news aggregators, has had a notable impact on the options available to consumers, thus resulting in a fragmentation of the audience. Moreover, the proliferation of these new players means an increase in the inventory of digital advertising space available to advertisers, and which affects, and is expected to continue affecting, the Group's Press and Radio businesses.

Moreover, the digital advertising business itself is subject to constant change. The emergence of digital advertising networks and markets, especially, disruptive methods of

advertising auctions, such as Real-time bidding, is allowing advertisers to develop more personalized advertising and is putting downward pressure on prices.

Likewise, there is a proliferation of technologies and applications that allow users to avoid digital advertising on web pages and mobile applications, and for smartphones that visit.

If the Group's businesses do not manage to successfully adapt to the new demands of consumers and to new business models, there could be a material adverse effect on the Group's income and results.

Competition risk-

Prisa's businesses operate in highly competitive sectors.

Competition between companies offering online content is intense in the Press and Radio businesses, and the Group is fighting for advertising against traditional players and new content providers and news aggregators.

In the Education business, the Group also competes against traditional players and smaller businesses, online portals and digital operators offering alternative content and methodology. Moreover, students often head to cheaper content sources, file and document exchanges over different platforms, websites, 'pirate' copies or second-hand material.

The ability to anticipate and adapt to the requirements and new demands from customers may impact the competitive position of Group businesses with regard to other competitors.

Country risk-

Prisa operations and investments may be affected by different risks that are typical to investments in countries with emerging economies or with unstable backdrops, such as currency devaluation, capital controls, inflation, expropriations or nationalizations, tax changes or changes in policies and regulations.

Regulatory risk-

Prisa operates in regulated sectors and, therefore, is exposed to regulatory and governmental risks that could negatively impact the business.

Specifically, the radio business is subject to having franchises and licences for its activity, while the education business is subject to public policies applied by the governments of the countries where the Group operates. Therefore, the Education business could be affected by legislative changes, changes in the contracting procedures of public administrations, or the need to obtain prior administrative authorization with respect to the content of publications. Curriculum changes force the Group to modify its education contents, which requires making additional investments and so there is the additional risk that the return on these investments will be less than expected.

Furthermore, Prisa businesses are subject to many regulations in terms of fair competition, control of economic mergers or anti-monopolistic legislation at a global or local level.

Digital transformation process-

The businesses where the Group operates are in a permanent process of technological change. Recent technological progress has introduced new methods and channels for content distribution and use. This progress then drives changes in consumer preferences and expectations.

In order to maintain and boost competitiveness and business, Prisa needs to adapt to technological progress meaning research and development are key elements. Digital transformation imply several risks such as developing new products and services to respond to market trends, losing of value of contents within a digital environment, importance of technology to develop digital business or resistance to technological change in businesses of the Group.

Technology risk-

The businesses in which the Group operates depend, to a greater or lesser extent, on information technology ("IT") systems. The Group offers software or technology solutions through web-based platforms.

IT systems are vulnerable to a set of problems, such as malfunctioning hardware and software, computer viruses, hacking and the physical damage sustained by IT centres. IT systems require regular updates, and it is possible that the Group cannot implement the necessary updates at the right time or that updates might not work as planned. Moreover, cyber-attacks on Prisa's systems and platforms could result in the loss of data or compromise customer data or other sensitive information. Major faults in the systems or attacks on their security could have an adverse effect on Group operating profits and financial conditions.

In this sense, the Group has externalized with Indra Sistemas, S.A. ('Indra') its information technology management service and the development of innovative projects at some Group companies. If this service provision ceases, Group operations could be impacted.

Litigation and third-party claims risk-

Prisa is involved in important litigation and is also exposed to liability for the content in its publications and programmes. Moreover, when running its activities and businesses, the Group is exposed to potential liabilities and claims in the area of employment relations.

Risks relating to the financial and equity situation

Financing risk-

The Group's financial obligations are set out in note 7.3 '*Financial liabilities*' of the financial statements of Prisa for 2017.

As of December 31, 2017, the Group's net bank debt level stood at EUR 1,421.6 million and represents a series of risks:

- It is more exposed to the economic cycle and market performance, especially in those businesses with a higher exposure to economic cycles.
- It requires part of the cash flow from operations to be put aside to cover payment obligations, interest payments and amortisation of the debt principal, hindering the capacity to dedicate these cash flows to cover working capital, investments and finance for future transactions.
- The Group is exposed to interest rate fluctuations in loans financed at variable interest rates.
- It limits the ability to adapt to market changes.
- It places the Group at a disadvantage with regard to less indebted competitors.

In addition, the contracts governing Prisa's debt terms stipulate requirements and commitments for compliance with specific leverage and financial ratios (covenants). The aforementioned agreements contain the provisions regarding cross default, which means that a breach of a specific provision may cause, if the breach exceeds certain amounts, the early maturity and termination of the agreement in question, but also that of the Override Agreement.

As described in the consolidated financial statements of Prisa for 2017, as of December 31, 2017, the main financial commitment has been established for December 2018 for an amount of EUR 956.5 million. This amount is recorded as a current liability on the consolidated balance sheet as of December 31, 2017.

Likewise, as of January 22, 2018, the company had signed a framework agreement with all the financial creditors of the *Override Agreement* to refinance and modify the terms of Prisa's current financial debt, adapting the maturity schedule of the bank debt to the cash generation profile of the Group's businesses.

The effectiveness of this agreement is subject to, among other conditions, debt being cancelled at the time the refinancing comes into effect running to EUR 450 million from proceeds arising from the EUR 563.2 million cash capital increase which has been fully subscribed and paid out in February 2018 and an agreement be reached with financial creditors on the new terms of the *Override Agreement* not expressly set out in the *Lock-up Agreement* (see notes 1b and 27 of the consolidated financial statements of Prisa for 2017).

The refinancing agreement foresees two alternate scenarios based on whether by June 30, 2018 Prisa has obtained the proceeds from the sale of Media Capital, which will be used to cancel debt.

In addition, the *Lock-up Agreement* provides for a limited number of cases for termination that would permit the creditors to exit the binding commitment to support the proposed modifications to the financing regulated in the *Override Agreement*. These are, by the time of this report: (i) the existence of deadlines for the formalization of the *Refinancing Agreement* (30 June 2018, although it could be extended by the majority of participants in the *Lock-up Agreement*) (ii) material failure by the Company to comply with its obligations under the *Lock-up Agreement*; (iii) a competent administrative or judicial body issuing an order or resolution that impedes execution of the agreed *Refinancing*; and (iv) if the Company goes into administration.

In the event that the milestones for the effectiveness of the *Refinancing* are not met or if for any other reason the *Lock-up Agreement* is terminated, the *Refinancing* will not take

effect, and the Group would have to settle EUR 956.5 million in December 2018, which would have an impact on the liquidity and continuity of its businesses.

The administrators of the company consider that none of the termination cases will occur.

The Refinancing agreement would reduce Group expose to the risks above although the debt level would remain high.

Media Capital Sale Transaction-

The Prisa Board of Directors accepted a binding offer put forward by Altice NV on July 13, 2017 for the sale of Vertix SGPS, S.A. ('Vertix'), belonging to Grupo Media Capital, SGPS, S.A. ('Media Capital') (see notes 1b, 10 and 17 of the consolidated financial statements of Prisa for 2017), with the transaction dependent on the relevant authorization from the Portuguese competition authorities.

This agreement meant an accounting loss was registered at the parent company for EUR 89.3 million (a EUR 76.9 million loss in the consolidated financial statements). The final price will depend on the performance of Media Capital's business up to the date the sale is finalized.

Proceeds from Media Capital sale will be used to cancel debt, so in case the sale of Media Capital does not occur in the end, the Group's financial situation will be negatively impacted.

Equity situation of the Group's parent Company-

As of December 31, 2017, 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 46,279 thousand, below two thirds of total share capital, although representing over half of share capital. In this sense, the company has an imbalanced equity situation in terms of the obligation to reduce share capital in the period of one year.

The Directors of the Company have planned a series of strategic measures and activities that aim to strengthen and optimize the company's financial and shareholder equity structure, including capital increase for an amount of EUR 563.2 million, which was fully subscribed and paid out in February 2018 (see notes 1b and 27 of the consolidated financial statements of Prisa for 2017). The subscription and registration of this capital increase in February 2018 has reestablished the equity situation of the Parent Company.

Credit and liquidity risk-

The adverse macroeconomic situation with major declines in advertising and circulation has had a negative impact on the Group's ability to generate cash flow over recent years, mainly in Spain. Businesses which rely heavily on advertising have a high percentage of fixed costs, and any decline in advertising revenues has major implications for margins and the cash position, making it difficult to implement additional measures to improve Group operating efficiency. As of December 31, 2017, advertising revenue represented 29.8% of Group operating income.

Likewise, the nature of the Education business means that there are concentrated periods of collections around certain dates, mainly during the final months of each year. The aforementioned creates seasonality in Santillana's cash flow. While the seasonality of the Group's cash flow is not significant, so far as the flows coming from the various business units largely compensate each other and thereby mitigating the seasonality effect, the aforementioned could lead to certain cash tensions during the periods in which the collections are structurally lower.

In terms of the commercial credit risk, the Group assesses the age of the debt and constantly monitors the management of receivables and processing of arrears.

The Group exhaustively monitors receivables and payables associated with all its activities, as well the maturities of financial and commercial debt and repeatedly analyses other financing methods in the aim of covering planned cash requirements in the short, medium and long-term.

Non-controlling interests in cash generating units-

The Group has significant non-controlling interests in cash generating units including education and radio businesses. Likewise, Santillana is obliged to pay on an annual basis its non-controlling shareholders (25% of share capital) a preferential set fixed dividend to the Prisa dividend.

Exposure to interest rate hedges-

The Group is exposed to changes in interest rates as around 60.3% of its bank borrowings bear interest at floating rates. The Group currently has no derivative contracts for interest rates.

Exposure to exchange rate hedges-

The Group is exposed to fluctuations in exchange rates mainly due to financial investments made in stakes in American companies, as well as revenue and profits from said investments.

In this context, and in the aim of mitigating this risk, if there are credit lines available the Group adheres to the practice of formalizing hedge contracts for exchange rate variations (mainly forex insurance, 'forwards' and options on currencies) based on its monthly analyzed forecasts and budgets, in order to reduce volatility in operations, results and cash flows of subsidiaries operating overseas.

Tax risks-

The Group's tax risks are related to possibly different interpretations of the rules that the relevant tax authorities may make, as well as to the changes in tax rules in the different countries in which the Group operates.

As of December 31, 2017, the consolidated Group had active tax credits amounting to EUR 332.8 million; of these, EUR 291.6 million corresponded to the tax consolidation group whose parent company is Prisa.

In accordance with current Group business plans, the Board of Directors deem recovery of active tax credits according to the criteria established in the accounting regulation likely, although there is the risk that the ability to generate positive tax bases may not suffice to recover the active tax credits arising from the negative tax bases from previous financial years, from limiting the deductible nature of financial expenses and amortizations, as well as from tax deductions.

5. NON- FINANCIAL INFORMATION

5.1. Governance bodies

Notwithstanding the foregoing, some of the most outstanding elements of Prisa's corporate governance are outlined below.

5.1.1. *Governance bodies*

Operation of the governance bodies and the company' decision making process are described in detail in the Annual Corporate Governance Report. The Annual General Meeting and the Board of Directors are the highest governance bodies of the Company.

The main changes in Prisa's Board of Directors in 2017 were:

- Succession of the Chairman of the Board of Directors: Last October, the Board of Directors launched the succession of the Chairman, Mr. Juan Luis Cebrián Echarri. After considering other alternatives and candidates, the Board of Directors at its meeting held in December 2017 finally accepted the resignation of Mr. Juan Luis Cebrián Echarri as director and Chairman, and appointed Mr. Manuel Polanco Moreno, at the time manager and Deputy Chairman, as non-executive Chairman of the Board of Directors of Prisa with effect from January 1, 2018.
- Succession of the CEO: In June 2017 Mr. Manuel Mirat Santiago was appointed CEO, in substitution of Mr. José Luis Sainz Díaz, with effect from September 4, 2017. Since January 1, 2018 and after the succession of the Chairman, Mr. Manuel Mirat holds the office as chief executive officer of Prisa.
- Reorganization of the Board of Directors: During 2017, a reorganization of the composition of the Board of Directors was carried out, with 9 outgoing directors and 6 incoming new directors, including the succession of the CEO, which has also led to a reconfiguration of the composition of all Board committees. The succession of the Chairman took place with effect from January 1, 2018.

In February 2018 the Board of Directors appointed an independent director, Mr. Javier Monzón de Cáceres, as non-executive Deputy Chairman of the Board of Directors.

This reorganization is linked to the changes to the Company's Chairmanship and to capital operations executed in the last months.

In accordance with the Regulations of the Company's Board of Directors and with the provisions of the Corporate Enterprises Act, the Board has exclusive competence over

certain corporate general policies and strategies and over certain decisions (including, the strategic or business plan, annual management objectives and budget, investment and financing policy, fiscal strategy, risks control and management, approving financial reporting, approving financial projections, dividend policy, stock policy, strategic alliances of the Company or its controlled companies, defining the Group's structure, corporate governance policies and corporate social responsibility policies, general policy of remuneration, appointment and removal of managers, investments and operations of any kind that, due to their high amount or special characteristics, are considered strategic or of special fiscal risk for the Company, approval of creation or acquisition of interests in special purpose vehicles or entities resident countries or territories that are treated as tax havens, agreements related to mergers, divisions or relevant decisions that might affect the Company as a listed company, approving related-transactions, annual assessment of the operation of the Board of Directors, etc.).

Without prejudice to the powers given to the CEO, the Board of Directors has a Delegated Committee that has delegated all of the powers and competences of the Board susceptible of being delegated.

CEO's management rests on the members on the Management Committee, the members of which are key senior management.

Senior management is appointed by the Board, on the proposal of the CEO, upon report of the Appointments and Remunerations Committee, and shall report directly to the CEO.

The Board of Directors of Prisa has also created three other Committees, with powers reserved to their respective areas: (i) Audit, (ii) Corporate Governance and (iii) Appointments and Remunerations. The functions and composition of these Committees are included in the Annual Corporate Governance Report.

Composition of the Board of Directors

As of December 31, 2017 the Board of Directors of Prisa was formed by fourteen directors, of which three were executive, four were nominee, six were independent and one was an external director.

As from January 1, 2018 the composition is as follows: one executive director, five nominee directors, six independent directors and one external director, all with different academic backgrounds and outstanding professional careers.

The company has a Directors' Selection Policy, the principles and objectives of which can be summarised as follows: i) diversity in the composition of the Board, ii) right balance in the Board as a whole, looking for the appointment of persons that help pursue diversity of knowledge, experience, origin and gender and iii) in 2020 the number of women directors represents, at least, 30% of total Board members.

The Board of Directors is composed of highly qualified professionals and good professional and personal reputes, with capacities and competences in various fields and sectors that are of interest to the Company and coming from different countries.

In accordance with recommendation 14 of the Code of Good Governance of the CNMV (which sets that the "appointments committee shall verify annually compliance of the

directors' selection policy and shall inform about it in the annual corporate governance report") the Appointments and Remuneration Committee has verified that, throughout 2017, the principles, objectives and procedures provided for in the Directors' Selection Policy have been taken into account, although due the events occurred this year regarding the rearrangement of the Board, the objective of women directors representing 30% of the total Board members had not been achieved.

The Appointments and Remunerations Committee shall carry out the appropriate work over the next months to ensure that the practices and measures to be taken up in the near future enable improvement in this area.

5.1.2. *Compliance and Code of Ethics*

Compliance Unit

Prisa's Compliance Unit is a collegiate body with autonomous powers of initiative and control, and is composed of the general secretary, the Internal Audit director and the Human Resources director. The tasks of this unit, which functionally reports to the Audit Committee, include watching over and promoting compliance of all rules applicable to the Group's activities, that is to say: current legislation, Code of Ethics of Prisa and internal organizational rules. Its duties also include the identification, management and mitigation of the enforcement risks of such regulation.

The Compliance Unit also assumes the functions of the Criminal Prevention Body, as provided for in the Criminal Code.

Furthermore, the main business units of the Group have their own Compliance Unit.

When developing its mandate, the Compliance Unit promotes a preventive culture based on the principle of "zero tolerance" towards the commission of unlawful acts and the application of ethical and responsible behavior principles to all professionals within the Group, regardless of their hierarchy level and of the country in which they work. For that purpose it regularly informs the Corporate Governance Committee of its activities and decisions related to the RIC (Internal Code of Conduct for Matters Relating to the Securities Markets), and of any incidents concerning the Code of Ethics, so that such Committee can monitor compliance of the Company's governance rules and, consequently, makes the proposals necessary for improvement (function assigned to it by the Regulations of the Board of Directors).

In 2017 the implementation and follow-up of the company's criminal prevention model was consolidated, mainly driven by the Compliance Unit of Prisa.

The Compliance Unit of Prisa is responsible for the final interpretation of the Code of Ethics and the RIC, and must solve doubts or queries raised on its application or content.

Code of Ethics

The Code of Ethics of Prisa comprises a catalogue of principles and rules of behavior covering the actions of the companies in the Group and all of their employees (members of the governance bodies, executives, workers, students on work experience and internships, irrespective of the legal basis of the employment or service relationship, their level in the

hierarchy, their geographical or functional location, and the Group company to which they provide their services) so as to ensure ethical and responsible behavior in their work.

The Code takes up certain general ethical principles (such as human rights and public freedoms, professional development, equal opportunities, non-discrimination and respect for people, occupational health and safety, and environmental protection), as well as general rules of conduct on the following areas:

- Compliance with standards and professional conduct;
- Use of resources and media in the course of professional activity;
- Conflicts of interest and client relations with the Group;
- External activities and non-competition: this is reinforced by the Competition Policy that was approved by the Company in 2017;
- Internal control and anti-corruption: this is reinforced by the Anti-corruption Policy that was approved by the Company in 2017 and by the Gifts Policy and Guidelines on Money laundering, approved in 2016;
- Corporate image and reputation;
- Relations with stakeholders;

Professionals subject to the Code of Ethics must report any incidents or queries involving thereof to their line managers or Human Resources Division, which will be responsible for dealing with them.

The Code of Ethics, available in Spanish, English and Portuguese, has been notified and disseminated among all Group employees to which it applies.

In 2017 the Prisa Communication Division continued to carry out the internal communication plan of the Code, its basic principles and some of its relevant matters, supervised by the Compliance Unit of Prisa. Specifically, the importance of actions in social media, data protection, conflicts of interest, defence of competition and anticorruption have been highlighted in 2017.

The Code of Ethics will be published in full on the company's website, www.prisa.com, and on the Prisa Group intranet, *Toyoutome*.

Internal Code of Conduct for Matters Relating to the Securities Markets (RIC)

The Internal Code of Conduct for Matters Relating to the Securities Markets (RIC) sets down the standards of behaviour that must be followed when acting in matters related to the securities markets. It contains rules on immediate and accurate transmission of relevant corporate information to the market, in order to avoid undue use of privileged information and to solve potential conflicts of interest.

This internal code of conduct is applicable to the members of the Board of Directors and to senior executives, and to executives of the corporate headquarters and other executives and employees of the Group who have access to privileged information and it is so determined. The RIC is communicated to all persons covered by it, who must sign accordingly and agree to be bound by it.

The Compliance Unit of Prisa, supported by the Group's General Secretary, monitors compliance of the code of conduct set out in the RIC.

Whistleblower's Channel

Prisa has a drop box to receive and handle reports on irregularities and breaches of external and internal rules in issues affecting the Group, its employees or its activities. The channel is managed by the Prisa Compliance Unit, which periodically reports to Prisa's Audit Committee.

The Whistleblower's Channel is available on the corporate intranet *Toyoutome* or through a post-office box. Through these routes any employee can report on any irregularity or breach of internal and external rules in a confidential and anonymous way. There is also a confidential Whistleblower's Channel for third parties, available on the corporate website.

Group mechanisms are available to disseminate the existence and operation of the Whistleblower's Channel, mainly through Prisa's intranet and website, where employees and staff from outside the company can check the rules governing its functioning.

In 2017 the Whistleblower's Channel and the possibility of reporting irregularities and breaches through it have been recalled in all communication activities concerning the Code of Ethics and the Compliance Unit that were carried out by the Corporate Communication Division.

As to reports of breaches, in 2017 the whistleblower's channel received the following:

Total number of reports received in the year	16
Total number of reports addressed in the year	18*
Total number of unfounded reports received	9

**Two reports were received in 2017 and their analysis was completed in 2017*

Furthermore, in 2017, 6 corruption incidents were identified, which have concluded with two dismissals, one non-renewal and two voluntary resignations. The sixth incident was unfounded.

5.2. Human resources

5.2.1. 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.

In 2017, the Compliance Unit was consolidated as a authority to disseminate the objectives and policies throughout the Group and encourage a culture of compliance, as well as a means to prevent and to manage noncompliance.

5.2.2. Working conditions

Both the Group's recruitment and the training policies focus on the adaptation of employees to the profiles that are necessary to achieve the digital transformation in which we are immersed. This, along with commitment of professionals, is reflected again in a voluntary turnover rate of 6%, specifically 6% for men and 7% for women.

New recruits represent 13% of the total staff, of which 51% correspond to men and 49% to women.

As to the type of contract, from Prisa's total staff, 93% have a fixed contract and 7% a temporary contract.

The following chart shows the percentage of final employees per type of contract as of 31st December 2017:

	Temporary+Eventual+RCT* Contract		Fixed+RCF** Contract	
	Men	Women	Men	Women
Subtotal	58%	42%	54%	46%
TOTAL	7%		93%	

(*)RCT: *Temporary trade representatives*

(**)RCF: *Fix trade representatives*

Our broad geographic presence requires all companies of the Group to promote respect of the labour rights enacted by the International Labour Organisation, especially those related to equality, non-discrimination for reasons of sex, race, ideology, or beliefs, and of the regulations of the relevant agreements and countries in which it operates.

Except for certain executive positions, and in accordance with the laws in force in each country, 63% of the staff is covered by the agreements of their countries and in the case of Spain it's 99%. These agreements offer improvements in working conditions of employees, so that they can develop their jobs in a stimulating and competitive work environment.

Employees have trade union freedom and the Group promotes the necessary social dialogue to develop its business. Prisa sets minimum advance notice periods for

structural/organisational changes in accordance with the time limits set out in the legislation in force or in the applicable collective agreements of the different countries.

5.2.3. 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).

The training expense reflected in the income statement amounted to EUR 736 thousand, 52% in Spain and the rest international. During the year 39,178 hours have been taught, with an average of 4 hours of training per person.

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 2017 the users registered in Prisa Campus grew by 468 new users, it was possible to quantify a total of 2,176 registered students and in total there were 374 students who finished some of the courses and modules offered.

5.2.4. 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.

- Commitment to create positive work environments, prevent harassment behaviors and pursue and solve cases that occur.

With regard to the distribution of men and women in the workforce, the number of final employees as of December 31, 2017 in Prisa was 8,785, of which 3,977 (45%) were women and 4,808 (55%) were men.

Likewise, of the total of 374 management positions as of December 31, 2017, 32% were occupied by women.

5.2.5. 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 2017, the Joint Prevention Service has finished 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.

Specifically, 86% of the Group's employees in Spain are represented in formal joint health and safety committees, although 100% are covered by the joint prevention service. Likewise, globally, 42% of the Group's employees are represented in this type of committee.

Regarding the indicators of accidents¹, during 2017 there were 78 work accidents (32 men and 46 women). The rate of absenteeism of the Prisa Group is 1.77%. Furthermore, the severity index was 0.16, incidence 8.89 and frequency 4.75.

5.2.6. 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.

¹ Absenteeism rate: $(\text{Total number of hours of absenteeism} / \text{Total number of hours worked}) \times 100$; severity index: $(\text{Number of days lost} / \text{Number of hours worked}) \times 1,000$; frequency index: $(\text{Number of accidents with sick leave} / \text{Total number of hours worked}) \times 1,000,000$; and incidence rate: $(\text{No. accidents with sick leave} / \text{average number of workers}) \times 1000$

In addition, in 2017, 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.

Thanks to the various policies and actions regarding reconciliation that have been carried out in the Group, 97% of employees have rejoined after their maternity or paternity leave (100% of men and 95% of women).

5.3. Environment

Prisa is committed to the development of its business activities respecting the environment, in order to reduce costs and the impact that its operations have on the environment.

The Group's Environmental Safety Policy includes a series of basic application principles to provide safe products and services that respect the environment during its life cycle, contributing to the continuous improvement of its activities:

- 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 evaluation carried out indicates that, in any case, the Group does not have any responsibilities, expenses, assets, provisions and contingencies of an environmental nature that might be material in relation to our equity, financial condition and results of operations.

5.3.1. Consumption control

Material consumption

The most significant consumption figures of the group are those associated with printing activities and therefore, as can be seen in the following chart, the most relevant consumption for Prisa is paper.

Suppliers working with the group have to comply, as a basic premise, with all legal and environmental criteria for paper production and almost all of them can produce paper holding PEFC certification (Pan-European Forest Certification) or FSC (Forest Stewardship Council), guaranteeing control in the paper chain.

Prisa respects responsible management from start to finish in the paper consumption cycle. In the case of Spain and Portugal, consumption management is centralised and 62% of paper consumption originates from recycled raw materials, obtained from recovery operations carried out by authorised managers, with a return rate of 9% of the raw materials.

Material	Consumption (tonne)	% of consumed that is sent for recycling or recovery	Renewable
	2017	2017	
Paper	75,601.55	32.04%	Yes
Ink	629.01	0.00%	No
Cardboard	247.03	100.00%	Yes
Aluminium plates	160.65	100.00%	Yes
Adhesive	33.00	0.00%	No
Plastic	10.00	100.00%	Yes

In accordance with the information sent by different suppliers, carbon intensity, expressed in kilograms of CO₂ equivalent per tonne of consumed paper is 481.54 in Spain.

In a sector environment characterised by content and format digitalization, actions are being carried out to reduce our paper consumption progressively. These actions are being conducted in Argentina, Colombia, Peru, Guatemala, Honduras, El Salvador or Portugal. In Mexico paper consumption has been centralised, with a decrease in consumption.

Water consumption

In 2017 Prisa's water consumption reached 236,905.3 m³, mainly coming from the municipal network.

Power consumption

Total consumption of the organization in 2017 reached 381,001 GigaJulios (GJ), mainly associated with fuel and electricity consumption, as detailed below:

		Consumption GJ²³	Energy Intensity (GJ/€MM)
		2017	2017
Electricity consumption		246,255	210.35
Fuels	Natural Gas	15,106	12.903
	Diesel	119,640	102.195

5.3.2. Emission control

Prisa measures and monitors emissions derived from its activities. To address these needs and to extend measurement of such emissions, the Corporate Purchase Division collects the information on employees' travels, as this is the only significant source of emissions amongst the activities developed by Prisa.

The information of 2017 emissions is reported in accordance with the Scope of emissions, which is defined by the GHG Protocol (Greenhouse Gas Protocol) standard.

	Tonne CO₂eq²
Scope 1 (Fuel Consumption Emissions)	10,621.39
Scope 2 (Electric Energy Consumption Emissions)	20,858.58
Scope 3 (Indirect Emissions)	37,398.58

The different business units of Prisa have carried out in 2017 different initiatives to reduce energy consumption, one of the most noteworthy of which is the replacement of light sources for more efficient technologies in the different countries in which Prisa operates, resulting in energy savings with respect to the previous year of 1,377 GJ, which converted into CO₂eq emissions results in a saving of 126,187 tonnes of CO₂eq.

Emissions intensity for 2017 was 58.87 tonnes of CO₂ equivalent per million euros invoiced.

5.4. Sustainability

Since its inception, Prisa works with the firm commitment to promote cooperation and global solidarity to build a better world, and this vocation is fully in line with the New Sustainable Development Goals (SDGs). In 2017 we continued to work hand-in-hand and in coordination with the Food and Agriculture Organisation of the United Nations (FAO) and the United Nations Educational, Scientific and Cultural Organization (UNESCO).

As well as processing and disseminating news on important issues such as poverty, climate change, global health or education as engines for development, in December 2017 an International Human Rights Forum was held, organised by El País, FAO and the Spanish chapter of the UN's Global Compact, to commemorate the International Day of Human Rights.

² Energy consumption is converted to GJ and to Tonnes CO₂eq using the Conversion Figure: DEFRA (Department for Environment, Food & Rural Affairs - GOV.UK)

³ Consumption information is based on suppliers' invoices.

Prisa works towards the defence of freedom of expression, conscience, human rights and sustainable development, as an integral part of the Group as a whole from its conception. It promotes it, on an ongoing basis, through its content, but also develops intense social, cultural and environmental actions through different initiatives and own projects, and it participates in relevant social platforms and organizations which promote these same values.

As proof of this, Prisa is an active member of the United Nations' Global Compact through its Spanish Chapter. It is committed to the Ten Principles that are promoted by this organisation: human rights, anti-corruption, labour rights and environmental protection. Prisa is member of its Executive Committee, by actively supporting all its initiatives and developing joint specific projects to promote the debate and disseminate 2030 SDGs. In 2017 we renew our commitment, as happens every year.

6. RESEARCH AND DEVELOPMENT ACTIVITIES

The Group is constantly adapting applications and management processes to changes occurring in its businesses and technological changes. It participates in and is a member of various international and domestic associations and forums which enable it to identify any improvements or opportunities to innovate and develop its services, processes and management systems.

During 2017, the business unit of **Noticias**, continued to drive the video, mobility and content distribution areas through the different market platforms.

El País continued to advance in mobility, as well in May 2017, in connection with the French presidential elections, a system based on augmented reality technology was put in place, which allowed to know the late-breaking information and follow results in *Facebook Messenger*.

During the first half of 2017 El País HD project was completed, which received funding by the Innovation Fund of *Digital News Initiative* (Google), with the ultimate goal of developing a video production and distribution platform that responds to the audience's needs up-to-the-minute. In July 2017, the initiative *VR-Infographics* was awarded an important part of the Innovation Fund to boost the creation of a computer graphics production platform distributed through different types of channels: printed, digital, video, 360 video and virtual reality immersive environments.

Video format is one of the main pillars of digital development for the heading of Prisa News; if, at first, efforts were concentrated in developing a production line of content to open media to new narratives, 2017 worked on the life cycle of video in a comprehensive manner. The turning point was the integration in April of a YouTube adaptation *player* specific for media as own *player*. This initiative, considered in the context of collaboration with *Digital News Initiative*, is accompanied by lower storage operational costs, momentum to multicast development and reaching new audiences, and a significant improvement of the operating conditions for advertising inventory, enabling direct sale through the YouTube channel as well and, therefore, new income-generating opportunities. Consequently, video plays in the El País channel have increased fivefold in the last quarter of 2017, by comparison to the figures of the first quarter, prior to the deployment of this new technology.

In July 2017, El País and AS pioneered ways of tackling the migration of its web architecture to the HTTPS protocol, which was designed for secure data streaming between Internet servers and customers. Besides protecting data, it protects users against external frauds and guarantees privacy.

During the last half of the year, the strategic plan of creating an increasingly robust relationship with our users, through a more personalized editorial and commercial offer, has led to the development of alerts and *push* notifications, targeted to the interests of readers, which will be definitely possible in 2018. Likewise, in October 2017, a new news recommendation system, specific for each reader was launched, thanks to the work performed by the Data area, replacing the commercial solution in place to date.

AS continues its commitment to mobility and since mid-2016 all editions are published in *responsive format*.

In November 2016, AS was selected within 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 was developed in 2017 and is now in the deployment phase, training editors and producing news. The tool, which uses *big data* to obtain football analysis in real time will offer readers bits of information and computer graphics based on statistics quickly and intuitively.

Within the scope of its international expansion efforts, the new pan-Arab portal is being developed, as was announced in August 2017. The Qatar communication group Dar Al Sharq and Diario As will jointly launch in 2018 As Arabia to offer sporting coverage to 25 countries in Middle East and North Africa.

In 2017, **Radio** continued its efforts to position its products in the digital media ecosystem, seeking to lead the development of online audio in all its markets.

Thanks to the financing of the Google DNI (Digital News Initiative) Fund, a groundbreaking project on transcription and distribution of digital audio was also launched: the Hertz Project.

And, at the same time, the efforts made to transform the core or main systems of the Company, especially within the commercial area, should be highlighted.

The main lines of progress in 2017 were:

- The **redesign of the sites** of five talk and three 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).
- **Improving the applications** of LOS40 (launched in December 2016) and Cadena SER (launched in January 2017) that improve user interaction and consumption of multimedia content. 7-radius applications have also been launched using the enterprise application development platform Replicapp.

- Launch of the **new player** for music radio (both in Spain and America), which enables consumption of live audio and programmes on demand in the same environment (OnePlayer project). In the case of LOS40 it incorporates four telematic online radios that were launched in May.
- A global podcast network in Spanish, with its own web, app and multidistribution in digital audio aggregators, **Podium Podcast** was launched. In its first year of operation it notched over ten million downloads.
- Deployment of a **new audio measurement and monetisation platform** on demand, which gives better knowledge and commercial exploitation of podcast consumption and audio on demand (completed in Spain and Argentina and on-going in the other markets).
- In order to improve audio search results and increase content consumption, **advanced functionalities for content transcription and recommendation** were launched on Cadena SER (Project Hertz), which was financed by the Google's Innovation Media Fund.
- Significant progress was made in the **update of the broadcast platform** in Spain and Colombia (HD version deployment), developing parallel capacities in broadcasting certification.
- Greater development of the **commercial management system**, with implementation in Spain and Colombia, and start of the development of the platform, which allows to support the new commercial management model. It seeks a higher efficiency in processes, improves analytical capacities and provides access to information to customers and commercial agents.

With regard to **Education**, Santillana maintained its focus on the role of technologies in its offers, but always together with education and with the methodological formulas that take part in the current change in schools. The most significant initiatives of 2017 were as follows:

- The project **Set Veintiuno**, Santillana's proposal to educate the citizens of the twenty-first century through the development of skills and competences that students need to have to gain better personal and professional fulfilment in the Society of Internet and Knowledge; it has been conducted in Spain through the Experience Nurseries <http://sites.setveintiuno.com/viveros/>. The five programmes of Set Veintiuno (Learn to Think, Enterprising, The Value of Things, Programming Things, Switched on Computing) worked with 5,160 students and 233 teachers of 44 schools of Spain and Latin America. The conclusions and lessons learned allowed us to orient the advertising campaigns in the different countries as marketing began for Set Veintiuno (Spain, Colombia, Argentina or Mexico).

The purpose of the event Set Veintiuno Expedition was to introduce a new educational paradigm to educational professionals: the "Habilidades del siglo XXI" (or *21st Century Skills*). This paradigm is based on the research of international organisations such as UNESCO or the 21 International Skills Development Consortium, and is based on educational reforms in countries like the United Kingdom or the United States. Participants at the event experienced, through several educational challenges, the benefits of incorporating the development of these skills to classrooms. The expert in education, Carlos Magro, closed the experience by sharing a reflection done by Santillana and published on the free

whitepaper "21 skills VEINTIUNO". Expeditions took place at cultural institutions that carry out a significant work in the approach to culture, innovation and education for the general public, such as the Auditorio de Casa del Lector (Madrid), Espacio Laboratorio de las Artes of Valladolid LAVA (Valladolid), Centro Cultural Espai Rambleta (Valencia), Centro La Cascada (Tenerife) or the Teatro de las Esquinas (Zaragoza).

Also in relation to Set Veintiuno, the product catalogue continues to grow, with programmes such as Learn to Be for Primary Education, Learn with Chess for the second cycle of Primary Education, Learn in Minecraft for Primary Education and STEAM or Communicate Projects for Secondary Education. All of these programmes will be completed throughout 2019.

- The third **SantillanaLab** call was 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. Throughout this call we followed the thinking outlined in previous editions, and Santillana's strategic interest, such as for example the role of educational videos, or the impact of new languages and new formats; we also continued with the debate on the impact of culture maker at schools, and included new areas of interest such as the Open Educational Resources (OER), or the role of large technology companies in classrooms and educational centres. But beyond these strategic areas, SantillanaLAB contributes to an ongoing educational debate, generating spaces for calm reflection and conversation. SantillanaLAB is open to the different dimensions within the educational community (centres, executive teams, teachers, students, families) and to experts and external organisations with diverse backgrounds, which are assuming a central role in the implementation of innovation in the area of education. On the other hand, as part of our role within research and knowledge of trends in the educational sector, we continue to keep a close eye on the information obtained from own spaces such as IneveryCREA or SantillanaLAB, but also from those information, documentation and event services that take on and analyse in depth all changes taking place at schools. It is ultimately about value creation of what we see and experience, forwarding it to the rest of the organization and facilitating understanding for the business.

7. LIQUIDITY AND CAPITAL RESOURCES

Financing

Note 7.3 "*Financial Liabilities*" of the accompanying notes to the consolidated financial statements of Prisa for 2017 provide a description of the use of financial instruments by the Group.

Contractual commitments

Note 10 "*Operating Expenses- Operating leases*" to the financial statements provide information on firm commitments giving rise to future cash outflows with purchases and services received and any operating leases for buildings.

Dividends policy

Prisa does not have a set dividend policy, and so the Group's distribution of dividends is reviewed annually. In this respect, the distribution of dividends depends mainly on (i) the existence of profit that can be distributed and the Company's financial situation, (ii) its obligations regarding debt servicing and those arising from commitments acquired with its financial creditors in the Group's financing contracts –as described below under this item–, (iii) the generation of cash arising from its normal course of business, (iv) the existence or non-existence of attractive investment opportunities that could generate value for the Group's shareholders, (v) the Group's reinvestment needs, (vi) the implementation of Prisa's business plan, and (vii) other factors Prisa should consider relevant at any given time.

8. 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, 2017, Promotora de Informaciones, S.A. held a total of 270,725 treasury shares, representing 0.305% of its share capital.

Treasury shares are valued at market price at December 31, 2017 (2.56 euros per share). The total amount of the treasury shares amounts to EUR 694 thousand.

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

9. SHARE PERFORMANCE

Description of Prisa's shareholder structure.

Prisa's share capital at December 31, 2017 consisted of 88,827,363 ordinary shares. These shares are listed on the Spanish stock exchanges (Madrid, Barcelona, Bilbao and Valencia).

During 2017, 10,491,405 new shares were issued with regards to the early conversion of the bonds issued in accordance with the Annual General Meeting of 2016 requested by all the holders of said bonds

Main shareholders in the Company's share capital in 2017 were Amber Capital, HSBC, Telefónica, Rucandio, International Media Group, Consorcio Transportista Occher S.A, Bank Santander, Caixabank and Berggruen. Free float stood at around 19%.

After the closing of 2017, in February 2018, a capital increase was subscribed in an amount of EUR 563.2 million, agreed at an amount of EUR 450 million at the General Shareholders'

Meeting on November 15, 2017 and, subsequently, expanded by the Board of Directors of Prisa on January 22, 2018, for EUR 113.2 million.

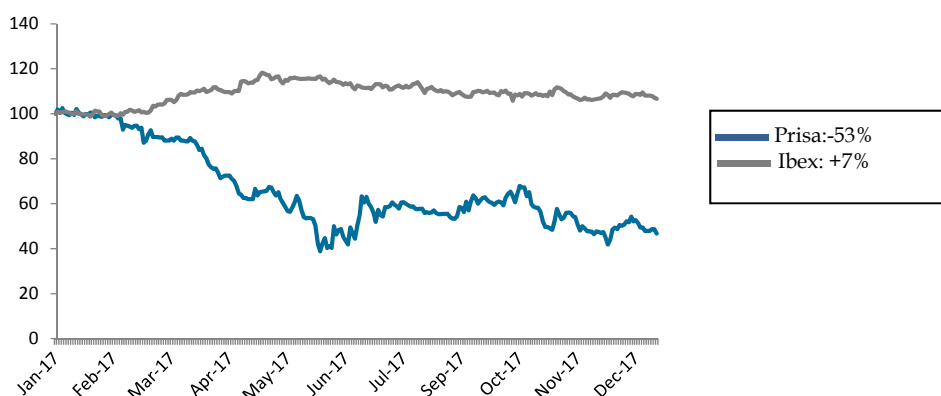
Share price performance

Prisa ordinary shares started 2017 trading at a price of EUR 2.93 per share (January 2, 2017) and ended the year at EUR 1.37 per share (December 29, 2017), implying a devaluation of 53%.

Prisa's share price performance in 2017 has been conditioned to the Company capital structure and financial situation

During 2017, the Company's Directors have taken a series of measures to strengthen the Group's financial and equity structure, which include among others, a refinancing agreement to refinance and extend maturities until 2022 (announced in 2018) and the execution of a cash capital increase amounting EUR 563 million which has been fully subscribed and reimbursed in February 2018

The following chart shows the performance of the Prisa Group's shares relative to the IBEX35 index in 2017, indexed in both cases to 100:



Source: Bloomberg (January 2, 2017- December 29, 2017)

10. 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 2017, to 81 days.

The maximum legal period of payment applicable in 2017 and 2016 under Law 3/2004, of 29 December, for combating late payment in commercial transactions, is by default 30 days, and 60 days maximum if particular conditions are met with suppliers.

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.

11. EVENTS AFTER THE BALANCE SHEET DATE

As of January 16, 2018, the company had signed a framework agreement with most of its financial creditors, the Lock-up Agreement, which governs the basic terms and procedure to follow to refinance and modify the terms of Prisa's current financial debt. From that date and up to January 22, 2018, the remaining financial creditors signed up to the Lock-up Agreement, whereby on the date these consolidated Director's report were drafted, all financial creditors in the Override Agreement had signed said framework agreement.

The basic terms of the Refinancing agreed with all creditors contain the following main agreements:

- (i) Extension of the debt maturity date to November and December 2022.
- (ii) The payment schedule does not set out obligatory amortizations during the first three years from January 16, 2018 to December 2020, with a later repayment schedule adjusted to the expected cash generation of Prisa group businesses.
- (iii) The reallocation of debt currently recorded at Prisa to bring it closer to the education business taking advantage of its cash flow capacity.
- (iv) The partial modification of the package of debt guarantees.
- (v) The agreement sets out an initial repayment of EUR 450 million to be made out of funds from the capital increase approved by the Annual General Meeting held on November 15, 2017, to be made at the time the refinancing comes into effect.

The Lock-up Agreement sets out a limited number of termination situations that would enable creditors to dissolve their commitment to support the modifications proposed for the financing regulated in the Override Agreement, and that as of the date of these consolidated Director's report are: (i) the existence of a deadline to reach an agreement with the financial creditors on the new terms of the Override Agreement not expressly provided for in the Lock-up Agreement (June 30, 2018, although it could be extended by the majority of participants in the Lock -up Agreement); (ii) material incompliance by the company with its obligations arising from the Lock-up Agreement; (iii) a relevant administrative or legal authority issues an order or resolution that impedes the execution of the agreed Refinancing, and (iv) the company possibly being put into administration.

The administrators of the company consider that none of the termination cases will occur.

In addition, on January 22, 2018 the Prisa Board of Directors unanimously approved a capital increase with preferential subscription rights for EUR 113.2 million.

Both the capital increase for EUR 113.2 million and the increase approved by the Annual General Meeting of Shareholders on November 15, 2017 for EUR 450 million had been fully subscribed and paid out in February 2018.

**Promotora de
Informaciones, S.A.
and Subsidiaries**

Consolidated Financial Statements
for the year ended 31 December
2017 and Consolidated Directors'
Report, 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.

INDEPENDENT AUDITOR'S REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

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

Report on the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Promotora de Informaciones, S.A. (the Parent) and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2017, 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.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated equity and consolidated financial position of the Group as at 31 December 2017, and its consolidated results and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRSs) and the other provisions of the regulatory financial reporting framework applicable to the Group in Spain.

Basis for Opinion

We conducted our audit in accordance with the audit regulations in force in Spain. Our responsibilities under those regulations are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

We are independent of the Group in accordance with the ethical requirements, including those pertaining to independence, that are relevant to our audit of the consolidated financial statements in Spain pursuant to the audit regulations in force. In this regard, we have not provided any services other than those relating to the audit of financial statements and there have not been any situations or circumstances that, in accordance with the aforementioned audit regulations, might have affected the requisite independence in such a way as to compromise our independence.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Evolution of the equity and financial structure of the Group

Description

As indicated in note 1.b to the accompanying consolidated financial statements, at 31 December 2017 the Parent's equity for the purposes of the grounds for mandatory dissolution and capital reduction provided for in the Spanish Limited Liability Companies Law amounted to EUR 46,279 thousand, which is less than two-thirds of the share capital and, therefore, at 2017 year-end the Parent was in a situation of mandatory reduction of capital. In this regard, on February 2018 has been subscribed and paid out a capital increase amounting to EUR 563,220 thousand, amount re-establishing the equity balance of the Parent Company to date.

Additionally, as indicated in that note of the accompanying consolidated financial statements, at 31 December 2017 the Group's current liabilities were higher than its current assets, mainly due to the classification at short term of Tranche 2 of the Group's borrowings amounting to EUR 956,512 thousand, which matures in December 2018. In this context, on 22 January the Group has signed a framework refinancing agreement with all the financial creditors, which modifies the terms and conditions of the borrowings and allows the maturity thereof to be deferred.

Procedures applied in the audit

The audit procedures performed in relation to the capital increase carried out by the Parent included, among others, a comparison of the minutes of the Board of Directors meetings and General Meetings held to date, a request for documentation supporting the performance of the capital increase carried out after the reporting period, by means of obtaining and analysing the capital increase deed registered at the Mercantile Registry, and the obtainment and comparison of the bank statement reflecting the cash inflow amounting to EUR 563,220 thousand.

The audit procedures performed in relation to the signing of the framework refinancing agreement included, among others, obtaining and reviewing the aforementioned framework agreement entered into by the Group with all the financial creditors, as well as obtaining addenda and communications between the parties, in order to understand and assess the reasonableness of the binding nature of the agreement and to identify and assess the likelihood of the milestones and terms and conditions set forth therein being fulfilled up to the date of issue of our report in order to identify that either they have been fulfilled or their fulfilment is reasonably under the control of the Group, without there being any indication that they have not been fulfilled.

Evolution of the equity and financial structure of the Group

Description

The directors consider that this financial and equity restructuring process resolves financial situation, even though the effectiveness of the refinancing agreement is subject to certain conditions or cases of termination.

Since the assessment of the Impacts of the above-mentioned aspects implies that estimates and assumptions are made by the directors, we have considered this as a key issue in our audit.

Procedures applied in the audit

We also involved our internal legal experts in understanding and assessing certain contractual issues related to the transaction described above.

In addition, we assessed the adequacy of the disclosures provided in notes 1.b and 27 the accompanying consolidated financial statements, in accordance with the applicable regulatory financial reporting framework, and checked whether the information disclosed is consistent with the analyses performed and the conclusions drawn by the directors.

Recoverability of deferred tax assets

Description

The consolidated balance sheet as at 31 December 2017 includes a balance of EUR 332,846 thousand relating to deferred tax assets, of which EUR 291,622 thousand correspond to tax assets of the Spanish tax group of which the Parent is the head.

At 31 December 2017, the Group had an updated tax plan in order to assess the recoverability of the deferred tax assets recognised, taking into account new legislative developments and the most recently approved business plans for the various businesses.

We identified this matter as key in our audit, since the preparation of this tax plan requires a significant level of judgement, largely in connection with the projections of the performance of the Group's businesses, which affect the estimate of the recoverability of the tax

Procedures applied in the audit

Our audit procedures included, among others, the review of the design and implementation of the controls considered relevant established by the directors for the assessment of the recoverability of the deferred tax assets recognised, as well as tests to verify that the aforementioned controls operate effectively.

Additionally, we assessed the reasonableness of the criteria followed by management, including the analysis of the key assumptions used, the consistency of the actual results obtained by the various business lines compared to those projected in the tax plan of the previous year, the obtainment of evidence of the approval of the results budgeted by the Board of Directors included in the tax plan, and we conducted an independent sensitivity analysis of changes in the key assumptions, as well an evaluation of the

Recoverability of deferred tax assets

Description

assets corresponding to the Spanish tax group.

Procedures applied in the audit

degree of compliance with the applicable tax legislation of the accounting for the tax assets included in the tax plan.

Also, we assessed the adequacy of the disclosures provided in notes 4.m and 19 to the consolidated financial statements required in connection with this matter by the applicable regulatory financial reporting framework.

Recognition of revenue from sales of book and training and from advertising and sponsorship

Description

As indicated in note 14 to the accompanying consolidated financial statements, the Prisa Group obtains revenue from various lines of business. The different types of business line mean that the Group's revenue recognition is affected by various accounting policies depending on the various products and services provided by the Group, as well as by the use of different computer systems based on the source of revenue.

Specifically, the revenue from sales of books and training in the education segment, which accounted for approximately 56.5% of the Group's total revenue at 31 December 2017, is made up of a significant number of transactions in various countries, subject to different terms and conditions of sale due to the existence of different types of customers and, as a general rule, concentrated in a period of the year according to the school calendar in force in each of the countries in which the Group operates. Also, in certain countries, the period in which sales are concentrated coincides with the annual

Procedures applied in the audit

The audit procedures performed in this regard included, among others, the review of the design and implementation of the controls considered relevant that mitigate the risks associated with the process to recognise revenue from Group's various lines of business, as well as verification tests of whether the aforementioned controls operate effectively, including tests on the general computer controls for which we involved our internal technology and systems experts.

We also performed the following substantive tests:

- For each segment defined, a specific review was carried out, on a selective basis, of the documentation supporting the agreements entered into during the year, in order to verify the recognition thereof in accordance with the terms and conditions agreed upon with customers, including the consideration of any complex items or items that may represent a significant judgement included in the

Recognition of revenue from sales of book and training and from advertising and sponsorship

Description

accounting closing.

In turn, the revenue from advertising and sponsorship sales in the radio and press segments, which accounted for approximately 30.5% of the Group's total revenue at 31 December 2017, relates mainly to insertions of the customers' advertisements in spaces owned by the Group. This revenue is obtained from a large number of transactions directly related to the actual insertion of advertisements, as well as the correct application of the terms and conditions established in specific negotiations with each customer.

Because of the significance of the amount of this revenue, the high number of transactions, the existence of different contractual terms and conditions and the diversity of countries in which the Group operates, the occurrence, accuracy and cut-off of these revenue lines were considered to be key matters in our audit.

Procedures applied in the audit

aforementioned contractual agreements.

- Substantive analytical procedures on the main accounting line items affected, taking into account their performance in recent years, market data and expectations as to their foreseeable evolution.
- A specific review for transactions carried out on dates close to year-end, in order to verify their recognition in the correct period.
- Verification of the balances recognised under "Trade Receivables for Sales and Services" in the accompanying consolidated balance sheet as at 31 December 2017, through a combination of confirmations from third parties and analysis of subsequent collections.
- Tests of details on the returns received after year-end and their consistency with the estimates made, using sampling techniques.

Lastly, we assessed the adequacy of the disclosures provided in notes 4.k and 14 to the accompanying consolidated financial statements required in connection with this matter by the applicable regulatory financial reporting framework.

Other Information: Consolidated Directors' Report

The other information comprises only the consolidated directors' report for 2017, the preparation of which is the responsibility of the Parent's directors and which does not form part of the consolidated financial statements.

Our audit opinion on the consolidated financial statements does not cover the consolidated directors' report. Our responsibility relating to the information contained in the consolidated directors' report is defined in the audit regulations in force, which establish two distinct levels thereof:

a) A specific level that applies to the consolidated non-financial information statement, as well as to certain information included in the Annual Corporate Governance Report, as defined in Article 35.2.b) of Spanish Audit Law 22/2015, which consists solely of checking that the aforementioned information has been provided in the consolidated directors' report, or, as the case may be, that the consolidated directors' report contains the corresponding reference to the separate report on non-financial information as provided for in the applicable legislation and, if this is not the case, reporting this fact.

b) A general level applicable to the other information included in the consolidated directors' report, which consists of evaluating and reporting on whether the aforementioned information is consistent with the consolidated financial statements, based on the knowledge of the Group obtained in the audit of those consolidated financial statements and excluding any information other than that obtained as evidence during the audit, as well as evaluating and reporting on whether the content and presentation of this section of the consolidated directors' report are in conformity with the applicable regulations. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report that fact.

Based on the work performed, as described above, we have checked that the information described in section a) above is provided in the consolidated directors' report and that the other information in the consolidated directors' report is consistent with that contained in the consolidated financial statements for 2017 and its content and presentation are in conformity with the applicable regulations.

Responsibilities of the Directors and Audit Committee of the Parent for the Consolidated Financial Statements

The Parent's directors are responsible for preparing the accompanying consolidated financial statements so that they present fairly the Group's consolidated equity, consolidated financial position and consolidated results in accordance with EU-IFRSs and the other provisions of the regulatory financial reporting framework applicable to the Group in Spain, 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.

In preparing the consolidated financial statements, the Parent's directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Parent's audit committee is responsible for overseeing the process involved in the preparation and presentation of the consolidated financial statements.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the audit regulations in force in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is included in Appendix I to this auditor's report. This description, which is on pages 8 and 9, forms part of our auditor's report.

Report on Other Legal and Regulatory Requirements

Additional Report to the Parent's Audit Committee

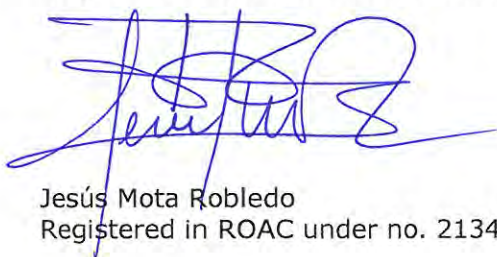
The opinion expressed in this report is consistent with the content of our additional report to the Parent's audit committee dated 22 March 2018.

Engagement Period

The Annual General Meeting held on 30 June 2017 appointed us as the Group's auditors for a period of one year from the year ended 31 December 2016, i.e. for 2017.

Previously, we were designated pursuant to a resolution/resolutions of the General Meeting for the period of one year and have been auditing the consolidated financial statements uninterruptedly since the year ended 31 December 1990, taking into account the content of Article 17.8 of Regulation (EU) No 537/2014 on specific requirements regarding statutory audit of public-interest entities and, therefore, since the year ended 31 December 2000, the year in which the Parent became a Public Interest Entity.

DELOITTE, S.L.
Registered in ROAC under no. S0692



Jesús Mota Robledo
Registered in ROAC under no. 21342

22 March 2018

Appendix I to our auditor's report

Further to the information contained in our auditor's report, in this Appendix we include our responsibilities in relation to the audit of the consolidated financial statements.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

As part of an audit in accordance with the audit regulations in force in Spain, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Parent's directors.
- Conclude on the appropriateness of the use by the Parent's directors of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Parent's audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Parent's audit committee with a statement that we have complied with relevant ethical requirements, including those regarding independence, and we have communicated with it to report on all matters that may reasonably be thought to jeopardise our independence, and where applicable, on the related safeguards.

From the matters communicated with the Parent's audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

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

Consolidated Financial Statements for 2017 prepared in accordance with International Financial Reporting Standards as adopted by the European Union, together with Consolidated Directors' Report for 2017

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

Consolidated Financial Statements for 2017 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, 2017
(Thousands of euros)



ASSETS	Notes	Year 2017	Year 2016	EQUITY AND LIABILITIES	Notes	Year 2017	Year 2016
A) NON-CURRENT ASSETS		756,693	1,273,699	A) EQUITY	11	(485,911)	(336,045)
I. PROPERTY, PLANT AND EQUIPMENT	5	82,653	122,390	I. SHARE CAPITAL		83,498	235,008
II. GOODWILL	6	167,556	593,121	II. OTHER RESERVES		(489,781)	(705,059)
III. INTANGIBLE ASSETS	7	110,802	130,796	III. ACCUMULATED PROFIT		(119,572)	47,470
IV. NON-CURRENT FINANCIAL ASSETS	12a	25,561	33,892	- From prior years		(16,657)	115,329
V. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD	8	37,247	36,690	- For the year: Profit attributable to the Parent		(102,915)	(67,859)
VI. DEFERRED TAX ASSETS	19	332,846	353,653	IV. TREASURY SHARES		(694)	(1,735)
VII. OTHER NON-CURRENT ASSETS		28	3,157	V. EXCHANGE DIFFERENCES		(37,894)	(809)
B) CURRENT ASSETS		1,166,386	852,732	VI. NON- CONTROLLING INTERESTS		78,532	89,080
I. INVENTORIES	9a	70,145	168,679	B) NON-CURRENT LIABILITIES		863,136	1,909,125
II. TRADE AND OTHER RECEIVABLES				I. NON-CURRENT BANK BORROWINGS	12b	642,248	1,653,535
1. Trade receivables for sales and services	9b	372,921	400,622	II. NON-CURRENT FINANCIAL LIABILITIES	12b	120,147	136,149
2. Receivable from associates		3,445	2,571	III. DEFERRED TAX LIABILITIES	19	23,901	21,055
3. Receivable from public authorities	19	33,979	40,956	IV. LONG-TERM PROVISIONS	13	39,007	56,516
4. Other receivables		22,746	30,694	V. OTHER NON-CURRENT LIABILITIES	25	37,833	41,870
5. Allowances	9b	(51,571)	(56,719)	C) CURRENT LIABILITIES		1,545,854	553,351
		381,520	418,124	I. TRADE PAYABLES	25	245,852	301,636
III. CURRENT FINANCIAL ASSETS	12a	23,340	19,506	II. PAYABLE TO ASSOCIATES		1,380	1,609
IV. CASH AND CASH EQUIVALENTS	9c	217,209	246,423	III. OTHER NON-TRADE PAYABLES	9d	42,600	67,945
V. ASSETS CLASSIFIED AS HELD FOR SALE	10	474,172	-	IV. CURRENT BANK BORROWINGS	12b	1,002,633	68,488
				V. CURRENT FINANCIAL LIABILITIES	12b	22,630	23,104
				VI. PAYABLE TO PUBLIC AUTHORITIES	19	39,785	61,633
				VII. PROVISIONS FOR RETURNS		10,507	8,071
				VIII. OTHER CURRENT LIABILITIES	9e	21,391	20,865
				IX. LIABILITIES ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE	10	159,076	-
TOTAL ASSETS		1,923,079	2,126,431	TOTAL EQUITY AND LIABILITIES		1,923,079	2,126,431

The accompanying Notes 1 to 28 and Appendix I and II are an integral part of the consolidated balance sheet at December 31, 2017.

PROMOTORA DE INFORMACIONES, S.A. AND SUBSIDIARIES
CONSOLIDATED INCOME STATEMENT FOR 2017
(Thousands of euros)



	Notas	Year 2017	Year 2016 (*)
Revenue		1,144,831	1,157,122
Other income		25,874	27,360
OPERATING INCOME	14-18	1,170,705	1,184,482
Cost of materials used		(177,077)	(199,382)
Staff costs	15	(361,325)	(345,057)
Depreciation and amortisation charge	5-7	(69,653)	(74,964)
Outside services	15	(424,917)	(433,538)
Change in allowances, write-downs and provisions	15	(17,911)	(28,482)
Impairment of goodwill	6	(618)	(431)
Other expenses		(13,459)	(3,051)
OPERATING EXPENSES		(1,064,960)	(1,084,905)
PROFIT FROM OPERATIONS		105,745	99,577
Finance income		5,529	25,547
Finance costs		(81,016)	(103,941)
Changes in value of financial instruments		-	(1)
Exchange differences (net)		10,818	(4,063)
FINANCIAL LOSS	16	(64,669)	(82,458)
Result of companies accounted for using the equity method	8	4,819	4,160
Loss from other investments		(1,163)	(297)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	18	44,732	20,982
Expense tax	19	(51,977)	(78,092)
PROFIT FROM CONTINUING OPERATIONS		(7,245)	(57,110)
Profit/Loss after tax from discontinued operations	17	(68,502)	19,453
CONSOLIDATED PROFIT FOR THE YEAR		(75,747)	(37,657)
Profit attributable to non-controlling interests	11j	(27,168)	(30,202)
PROFIT ATTRIBUTABLE TO THE PARENT		(102,915)	(67,859)
BASIC EARNINGS PER SHARE (in euros)	21	(1.30)	(0.87)
BASIC EARNINGS PER SHARE (in euros)	21	(1.30)	(0.87)
- Basic earnings per share from continuing activities (in euros)	21	(0.43)	(1.12)
- Basic earnings per share from discontinuing activities (in euros)	21	(0.87)	0.25

(*) The consolidated income statement for 2016 has been restated for comparative purposes and in accordance with IFRS 5 to present the result of Media Capital as a discontinued operation.

The accompanying Notes 1 to 28 and Appendix I and II are an integral part of the consolidated income statement for 2017.

PROMOTORA DE INFORMACIONES, S.A. AND SUBSIDIARIES
CONSOLIDATE STATEMENT OF COMPREHENSIVE INCOME FOR 2017
(Thousands of euros)



	Year 2017	Year 2016
CONSOLIDATED PROFIT FOR THE YEAR	(75,747)	(37,657)
Items that may be reclassified subsequently to profit or loss	(46,908)	20,964
Translation differences	(43,425)	27,088
Available-for-sale financial assets	(181)	117
Profit/(Loss) for valuation	(181)	117
Amounts transferred to the profit and loss account	-	-
Tax effect	45	(29)
Entities accounted for using the equity method	(3,347)	(6,212)
TOTAL RECOGNIZED INCOME AND EXPENSE	(122,655)	(16,693)
Attributable to the Parent	(138,049)	(52,928)
Attributable to non-controlling interests	15,394	36,235

The accompanying Notes 1 to 28 and Appendix I and II are an integral part of the consolidated statement of comprehensive income for 2017.

PROMOTORA DE INFORMACIONES, S.A. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR 2017
(Thousands of euros)



	Share capital	Share premium	Reserves	Reserves for first-time application of IFRSs	Prior years' accumulated profit	Treasury shares	Exchange differences	Accumulated profit for the Year	Equity attributable to the Parent	Non-controlling interests	Equity
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)	66,936	(394,587)
<i>Conversion of financial liabilities into equity (Note 11c)</i>			100,742						100,742		100,742
<i>Treasury share transactions (Note 11g)</i>											
- <i>Delivery of treasury shares</i>						777			777		777
- <i>Purchase of treasury shares</i>						(126)					
- <i>Reserves for treasury shares</i>			126								
<i>Distribution of 2015 results</i>											
- <i>Reserves</i>			(5,168)		10,462			(5,294)			
<i>Income and expense recognised in equity</i>											
- <i>Translation differences (Note 11i)</i>					(14,890)		29,733		14,843	6,033	20,876
- <i>Result for 2016</i>								(67,859)	(67,859)	30,202	(37,657)
- <i>Measurement of financial instruments (Note 12a)</i>			88						88		88
<i>Other</i>			(158)		(19,155)		7,120		(12,193)	15,812	3,619
<i>Changes in non controlling interest (Note 11j)</i>											
- <i>Dividends paid during the year</i>										(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)	89,080	(336,045)
<i>Capital reductions (11a)</i>	(161,372)		161,372								
<i>Conversion of financial liabilities into equity (Note 11c)</i>	9,862	95,052	(104,914)								
<i>Treasury share transactions (Note 11g)</i>											
- <i>Delivery of treasury shares</i>						366			366		366
- <i>Purchase of treasury shares</i>											
- <i>Reserves for treasury shares</i>			(675)			675					
<i>Distribution of 2016 results</i>											
- <i>Reserves</i>			(19,698)		(48,161)			67,859			
<i>Transfers</i>		(1,371,299)	1,455,731		(84,432)						
<i>Income and expense recognised in equity</i>											
- <i>Translation differences (Note 11i)</i>					2,087		(37,085)		(34,998)	(11,774)	(46,772)
- <i>Result for 2017</i>								(102,915)	(102,915)	27,168	(75,747)
- <i>Measurement of financial instruments (Note 12a)</i>			(136)						(136)		(136)
<i>Other</i>		(50)	(107)	2	(1,480)				(1,635)	1,069	(566)
<i>Changes in non controlling interest (Note 11j)</i>											
- <i>Dividends paid during the year</i>										(27,011)	(27,011)
Balance at December 31, 2017	83,498	95,002	(512,124)	(72,659)	(16,657)	(694)	(37,894)	(102,915)	(564,443)	78,532	(485,911)

The accompanying Notes 1 to 28 and Appendix I and II are an integral part of the consolidated statement of changes in equity for 2017.

PROMOTORA DE INFORMACIONES, S.A. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOW FOR 2017
(Thousands of euros)

	Notas	Year 2017	Year 2016 (*)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	18	44,732	20,982
Depreciation and amortisation charge and provisions		101,233	106,477
Changes in working capital		(68,235)	(19,360)
Inventories	9a	15,444	(10,038)
Accounts receivable	9b	(17,905)	10,312
Accounts payable		(65,774)	(19,634)
Income tax recovered (paid)	19	(27,483)	(23,918)
Other profit adjustments		55,098	67,985
Financial results	16	64,669	82,457
Gains and losses on disposal of assets		(1,721)	(2,163)
Other adjustments		(7,850)	(12,309)
CASH FLOWS FROM OPERATING ACTIVITIES	18	105,345	152,166
Recurrent investments		(63,390)	(65,791)
Investments in intangible assets	7	(44,550)	(48,510)
Investments in property, plant and equipment	5	(18,840)	(17,281)
Investments in non-current financial assets		(21,256)	(26,501)
Proceeds from disposals		8,563	109,855
Investments in non-current financial assets		2,117	4,611
CASH FLOWS FROM INVESTING ACTIVITIES	18	(73,966)	22,174
Proceeds and payments relating to equity instruments		(50)	(1,131)
Proceeds relating to financial liability instruments	12b	20,889	9,343
Payments relating to financial liability instruments	12b	(21,632)	(202,748)
Dividends and returns on other equity instruments paid		(26,184)	(28,959)
Interest paid		(34,305)	(37,979)
Other cash flow from financing activities		(6,640)	2,746
CASH FLOWS FROM FINANCING ACTIVITIES	18	(67,922)	(258,728)
Effect of foreign exchange rate changes		(7,079)	222
CHANGE IN CASH FLOWS FROM CONTINUING OPERATIONS	18	(43,622)	(84,166)
Cash flows from operating activities from discontinued operations		26,951	40,174
Cash flows from investing activities from discontinued operations		(4,318)	(4,592)
Cash flows from financing activities from discontinued operations		(8,225)	(23,994)
CHANGE IN CASH FLOWS FROM DISCONTINUED OPERATIONS	18	14,408	11,588
CHANGE IN CASH FLOWS IN THE YEAR		(29,214)	(72,578)
Cash and cash equivalents at beginning of year	9c	246,423	319,001
- Cash		236,230	301,129
- Cash equivalents		10,193	17,872
Cash and cash equivalents at end of period	9c	217,209	246,423
- Cash		191,099	236,230
- Cash equivalents		26,110	10,193

(*) The consolidated statement for 2016 has been restated for comparative purposes and in accordance with IFRS 5 to present the cash flow of Media Capital as a discontinued operation.

The accompanying Notes 1 to 28 and Appendix I and II are an integral part of the consolidated statement of cash flow for 2017.

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

Notes to the Consolidated Financial Statement for 2017 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 28). In the event of a discrepancy, the Spanish-language version prevails.

PROMOTORA DE INFORMACIONES, S.A. (PRISA)

AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENT FOR 2017

(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 2016 were approved by the shareholders at the Annual General Meeting held on June 30, 2017 and are deposited in the Mercantile Register of Madrid.

The Group’s consolidated financial statements for 2017 were authorized for issue by the Company’s directors on March 22, 2018, 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 Group's equity and financial structure

At the end of 2017, the Group's main financial commitment is the maturity of EUR 956,512 thousand in December 2018 (Tranche 2 of the Group's financial debt). This amount is recorded as a current liability on the consolidated balance sheet as of December 31, 2017.

During 2016, 2017 and 2018, the Company's Directors have taken a series of measures to deal with this maturity and strengthen the Group's financial and equity structure, such as capital increase and asset sale operations.

In this regard, on April 1, 2016, the Prisa Annual General Meeting approved the issuance of bonds mandatorily convertible into newly-issued ordinary shares through swapping the company's financial debt. The issuance was subscribed in April 2016, with debt amounting to EUR 100,742 thousands being cancelled. These bonds were early converted into shares in October 2017 (*see notes 11a and 11c*).

Likewise, the General Shareholders' Meeting of the Company held on November 15, 2017 approved a capital increase amounting to EUR 450,000 thousand; this amount was subsequently extended by the Board of Directors of the Prisa on January 22, 2018, in EUR 113,220 thousand. In February 2018, the capital increase was subscribed and paid out in the amount of EUR 563,220 thousand (*see notes 11a and 27*).

In addition, and in order to strengthen the financial structure of the Group, on July 13, 2017, the Board of Directors of Prisa accepted a binding offer put forward by Altice NV for the sale of Vertex SGPS, S.A. ('Vertex'), owner of Grupo Media Capital, SGPS, S.A. ('Media Capital') for an approximate price in line with the company's best estimates (equity value) of around EUR 321,499 thousand. The transaction was authorized in September 2017 by the company's financial creditors and by the Annual General Meeting in November (*see notes 3, 10 and 17*). The transaction is subject to the mandatory authorization of the Portuguese competition authorities. This agreement meant an accounting loss at the parent Company for EUR 89,269 thousand in 2017 (a EUR 76,903 thousand loss in the consolidated financial statements).

Finally, on January 22, 2018, the company signed a framework agreement with all the financial creditors of the *Override Agreement* (Agreement for the refinancing of the Group's debt signed in December 2013) to refinance and modify the terms of Prisa's current financial debt (the Refinancing). The effectiveness of this agreement is subject to, among other conditions, debt being cancelled to EUR 450,000 thousand from proceeds arising from the capital increase described above at the time the refinancing comes into effect (*see note 12b*). The basic terms of the Refinancing agreement include the extension of the debt maturity until November and December 2022 and no mandatory repayments until December 2020 (*see note 27*). With the entry into force of the Refinancing agreement, the Group's financial debt would therefore have a long-term maturity, which will mean an improvement in the working capital and the Group's financial structure.

In relation to the Parent Company's financial situation, mainly as a result of the accounting result of the Vertex sale agreement described above, in August 2017 the net equity of Prisa with respect to the cause of dissolution stipulated in Spain's Corporate Enterprises Act stood below half of total share capital, so the General Shareholders' Meeting of Prisa approved, on

November 15, 2017 a series of reserve and share capital reductions aimed to reestablish the situation of equity balance with respect to the cause of dissolution.

As of December 31, 2017, 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 (*see note 12b*)) stood at EUR 46,279 thousand, below two thirds of total share capital, although representing over half of share capital. In this sense, the company has an imbalanced equity situation in terms of the obligation to reduce share capital in the period of one year. In this regard, as mentioned in this section, in February 2018 a capital increase of EUR 563,220 thousand was subscribed and paid out. This amount has restored the equity balance of the parent Company.

Likewise, the Group's current liabilities on December 31, 2017 are higher than current assets in EUR 379,468 thousand, EUR 694,564 thousand excluding assets and liabilities held for sale, mainly due to the short-term classification of Tranche 2 of the Group's financial debt amounting to EUR 956,512 thousand.

The Company's Directors believe that the funds from the capital increase and the framework refinancing agreement describe above will suffice to cover payment of the debts on their maturity date (*see notes 12b and 27*).

As a consequence of the factors set out above, the Directors have applied the going concern principle.

(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 said regulation, in the scope of application of IFRS, and in the preparation of these consolidated financial statements of the Group, the following aspects should be highlighted:

- 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 financial statements of the Group:
 - Balance sheet

- Income statement
- Statement of comprehensive income
- Statement of changes in equity
- 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 2017 and 2016.

In 2017, 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 7. Disclosure initiative
- Modification of IAS 12. Recognition of deferred taxes for unrealized losses

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, 2017, 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
Clarifications to IFRS 15	Revenue from contracts with customers	January 1, 2018
Amendments to IFRS 4	Allows the applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts or its temporary exemption	January 1, 2018
IFRS 16	Leases	January 1, 2019
Improvements to IFRS Standards 2014-2016 Cycle	Minor amendments to a number of standards.	January 1, 2018
Not yet approved for use in the EU		
Amendments to IFRS 2	Classification and measurement of share based payment transactions	January 1, 2018
IFRIC Interpretation 22	Foreign Currency Transactions	January 1, 2018
Amendments to IAS 40	Transfers of Investment Property	January 1, 2018
IFRIC 23	Uncertainty over income tax treatments	January 1, 2019
Amendments to IFRS 9	Prepayment features with negative compensation	January 1, 2019
Amendments to IAS 28	Long-term interests in associates and joint ventures	January 1, 2019
Amendments to IAS 19	Employee benefits: plan amendment, curtailment or settlement	January 1, 2019
Improvements to IFRS Standards 2015-2017 Cycle	Minor amendments to a number of standards.	January 1, 2019

Standards, amendments, and interpretations		Mandatory application for financial years beginning on or after
IFRS 17	Insurance contracts	January 1, 2021
Amendments to IFRS 10 and IAS 28	Sales or contributions of assets between an investor and its associate/joint venture	No date set

As of the date of preparation of these annual accounts, the Company's Directors are analysing the requirements and future impact of adopting IFRS 16 "Leases", without it being possible at this time to make a reasonable assessment of the effect until this analysis has been completed.

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

Impacts of applying the IFRS 15 and the IFRS 9

With respect to the application of the IFRS 15 *Revenue from contracts with customers* and the IFRS 9 *Financial instruments* the Group will apply this standard from January 1, 2018 without restating comparative information. In the 2017 financial year, the Group carried out an assessment on the impacts of these standards coming into force, based on the information currently available, which may be subject to changes due to additional information available in 2018, once the aforementioned standards have become effective. In general terms, the Group expects no significant changes in its statements of financial position and equity, except for those described below.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 *Revenue from contracts with customers* is the standard applicable when reporting revenue with customers, which will replace the following standards and interpretations valid until December 31, 2017: IAS 18 *Revenue from Ordinary Activities*, IAS 11 *Construction Contracts*, IFRIC 13 *Customer Loyalty Programmes*, IFRIC 15 *Agreements for the Construction of Real Estate*, IFRIC 18 *Transfers of Assets from Customers* and SIC31 *Revenue-Barter Transactions Involving Advertising Services*.

IFRS 15 requires identifying the contract or contracts, as well as the different obligations included in contracts for the provision of goods and services, determining the price of the transaction and distributing it among the aforementioned contractual obligations on the basis of their respective independent selling prices. or an estimate thereof and recognize income as the entity complies with each of its obligations.

As of the date that these consolidated financial statements were drawn up, the Group considered the standard becoming effective mainly affects reporting the reporting of revenue from Santillana's digital teaching in the UNO Education and Compartir areas. The Group's management has mainly considered the following contractual obligations for these businesses, reporting revenue from goods produced or services provided when the control thereof is passed to the customer, in accordance with the following criteria:

- Printed teaching material and digital content: revenue is reported when ownership is transferred to the school or student.
- School's equipment and other services: revenue thereof is reported throughout the school year.

The price and value of revenue from these goods and services was determined by the Group through a margin and independent sale price analysis of thereof. This has entailed the allocation of higher sales prices of equipment and other services rendered, at the cost of printed teaching material and digital content, compared to reporting until 2017.

The impact of the IFRS 15 coming into force will entail a decrease of approximately EUR 4 million in the heading "*Equity- Accumulated profit from prior years*" as at January 1, 2018, due to reporting of minor revenue from Santillana's digital teaching systems in the UNO and Compartir areas, mentioned above.

The IFRS 15 also includes presentation and reporting requirements which contain more detail than the current standards. In particular, notes to the financial statements are expected to be more extensive due to the breakdown of the significant judgements performed: allocation of the transaction price to the different performance obligations and assumptions used to estimate the relative standalone sales price of each obligation.

The Company's Directors do not expect other significant impacts in the Group's financial statements from applying the IFRS 15.

IFRS 9 Financial Instruments

The effectiveness of the IFRS 9 mainly affects the calculation of the insolvency provision of trade receivables, finance leases and other receivables resulting from transactions within the scope of the IFRS 15. In this regard, the Group shall apply a simplified approach to recognize expected credit loss throughout the lifetime of such receivables. This entails setting up a provision for credit losses on revenue recognition, for which a NPL ratio has been determined per business and type of customer, applied to the amount of sales by customer type. The preliminary estimate of the impact resulting from the application of the new model as of January 1, 2018 supposes an increase in the provision for credit losses of an amount from EUR 5 million to EUR 6.5 million approximately, with a counterpart in the heading "*Equity - Accumulated profit from previous years*" and, when appropriate, "*Equity - Non-controlling interests*".

The Group expects no significant additional changes in its financial statements, with regard to classification and valuation and hedge accounting requirements.

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, 2017, 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, as described in note 1b. 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 2017 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 Company's directors.

In the consolidated financial statements for 2017 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 4d and 4f*).
- 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 19*).

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 2017, there were no significant changes in the accounting estimates made at the end of 2016, apart from the value of the investment in Media Capital.

With regard to Vertix and Media Capital, as a result of the agreement reached for the sale of the company's holding (*see notes 1b and 3*) the company has been valued at the transaction price, pending the necessary adjustments up to the effective sale date, and registering the corresponding adjustment for impairment loss.

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 consolidated 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.

From 2009 onwards Venezuela is considered to have an hyperinflationary economy. The functional currency of the Venezuelan subsidiary is the bolivar. The Group regularly evaluates the local economic situation and the particular circumstances of its operations in Venezuela in order to determine the exchange rate that better reflects the economic aspects of its activities in the country, taking into account all information available on relevant factors and circumstances at each closing date.

Throughout 2017 the economic and political crisis in Venezuela has become more acute, and this situation sparked a jump in the rate of inflation. However, the official exchange rates have not moved accordingly, which means that they are not representative of the value of the Venezuelan currency and, therefore, do not reflect the real loss of purchasing power of such currency. In May 2017, a new exchange agreement was published. This agreement established a currency exchange auction system with limited fluctuation bands, although no new currency exchange auctions have been called since August. In January 2018, another exchange agreement was published. This agreement establishes a new auction mechanism, where currency offers will mainly come from the private sector, eliminating the protected exchange rate system ("DIPRO"). The resulting exchange rate established in the first auction was 30,988 bolivars per euro. Structural deficiencies of this mechanism (inadequate depth and transparency) suggest that there will continue to be a significant deviation between the evolution of official exchange rates and inflation.

In this context, taking into account the country's economic reality and the absence of official rates representing the economic situation of Venezuela, in 2017 the Group deemed necessary

to estimate an exchange rate commensurate with the evolution of inflation in Venezuela, which appropriately reflects the economic-financial and equity situation of its Venezuelan subsidiary when drawing up the Group's consolidated financial statements (synthetic exchange rate). The methodology applied in this sense consisted in considering an exchange rate as a representative starting point, due to the closer approximation between the official auction exchange rate, the existing alternative rates and the exchange rates obtained by applying macroeconomic methodologies; and updating it with the inflation rates used by the Group for Venezuela (2,874.1% of January-December 2017, 511.1% of January-December 2016).

In this way, the exchange rate used as at December 31, 2017 when translating the financial statements of the Venezuelan subsidiary, resulting from the methodology described above, amounts to 20,653 bolivars per euro. As at December 31, 2017, the reference of SIMADI DICOM, used by the Group, amounted to 4,014 bolivars per euro.

When the operations of a Venezuelan entity (entities that uses the Venezuelan bolivar as their functional currency) are translated into the currency of a non-hyperinflationary economy, in this case to euros, paragraph IAS 21.42 (b) states that "comparative amounts shall be those that were presented as current year amounts in the relevant prior year financial statements (i.e. not adjusted for subsequent changes in the price level or subsequent changes in exchange rates)".

The headings in the balance sheet will be adjusted to reflect changes in prices in accordance with local laws, before they are translated to euros, as contained in the notes to these consolidated financial statements separately under the column "*Monetary adjustment*". The effect of inflation for the financial year as to monetary assets and liabilities is included under "*Finance costs*" in the attached consolidated income statement. The effect of the adjustment for inflation on the net equity of companies to which this accounting practice applies was registered under "*Equity- Accumulated profit for prior years*" on the accompanying consolidated balance sheet amounting to EUR 1,966 thousand at December 31, 2017 (EUR 3,651 thousand at December 31, 2016).

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.

The data relating to Sociedad Española de Radiodifusión, S.L., Santillana Educación Global, S.L., Prisa Brand Solutions, S.L. (sole trader), 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.

e) Information comparison

In July, as a consequence of the acceptance of the binding offer presented by Altice NV for the sale of Vertex, which is the owner of Media Capital, the results of Media Capital were reclassified as a discontinued operation (under "*Net income for the year from discontinued operations net of tax*").

In accordance with IFRS 5 and for the purpose of comparison, the consolidated income statement and the consolidated cash flow statement for the 2016 financial year have been modified to present Media Capital as a discontinued operation (*see notes 17 and 18*).

With Media Capital representing nearly the entire audiovisual segment and being presented as a discontinued operation, this segment has been eliminated in the 2017 financial year and financial year 2016 has been modified for comparison purposes (*see note 18*).

(3) CHANGES IN THE GROUP STRUCTURE

The most significant changes in the scope of consolidation in 2017 were as follows:

Subsidiaries

The company Instituto Universitario de Postgrado, S.A. was liquidated in April 2017, in which Santillana Formación, S.L. previously held 61.42%.

In June 2017, Merchandising on Stage, S.L. (sole trader) was sold, which was 100% owned by Gran Vía Musical de Ediciones, S.L.

In July 2017, Sociedad de Estudios de Televisión, S.A. (SERTEL), merged with Sociedad Española de Radiodifusión, S.L. (sole trader).

In August 2017, Prisa Brand Solutions, S.L. (sole trader) acquired 100% of Latam Digital Ventures, LLC, a company 100% owned by Eresmas Interactiva, Inc., 60% of Mobvious Corp., 99.99% of Starm Interactiva, S.A. de C.V. and 84% of Fullscreen Solutions, S.A. de C.V. Additionally, Prisa Brand Solutions, S.L. (sole trader) directly held 0.01% of Starm Interactiva, S.A. de C.V. and 1% of Fullscreen Solutions, S.A. de C.V.

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	3,575
Deferred tax assets	640
Other non-current assets	41
Trade and other receivables	4,233
Cash and cash equivalents	569
Trade payables	(4,802)
Non- controlling interests	12
Fair value of net assets	693
Goodwill (<i>see note 6</i>)	2,882

Latam Digital Ventures has been included in the consolidation perimeter using the fully consolidation method since August 2017. From that moment until December 31, 2017, it has not had any contribution to the operating income of the Group.

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 August 2017, Rádio Manteigas Radiodifusão e Publicidade, Lda. and Rádio Sabugal Radiodifusão e Publicidade, Lda. merged with Penalva do Castelo FM Radiodifusão e Publicidade, Lda.

In December 2017, Dédalo Grupo Gráfico, S.L., a company 100% owned by Prisaprint, S.L., was dissolved and liquidated.

Also in December 2017, Promotora Audiovisual de Colombia, S.A., where Promotora de Informaciones, S.A. held 53%, Grupo Latino de Publicidad Colombia, S.A.S. 1% and Promotora de Actividades Audiovisuales de Colombia, Ltda. 1%, was liquidated.

Associates

In August 2017, As Arabia For Marketing, W.L.L. was created, 49% owned by Diario As, S.L.

In November 2017, Plural Entertainment Canarias, S.L. acquired 45% of Nuntium TV, S.L.

When comparing the information for 2017 and 2016, 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.

Other significant operations

The Prisa Board of Directors accepted a binding offer put forward by Altice NV on 13th July 2017 for the sale of Vertix S.G.P.S., S.A., a company which owns Grupo Media Capital (*see notes 1b and 10*).

The result of this transaction is presented in the accompanying consolidated income statements as "*Loss after tax from discontinued operations*" (*see note 17*). The assets and liabilities of this business are classified as "*Non-current assets held for sale*" and "*Liabilities associated with non-current assets held for sale*" in the accompanying consolidated balance sheet (*see note 10*). The reclassification of the balances to these headings is presented in the notes of this report in the "*Transfers*" column.

(4) ACCOUNTING POLICIES

The principal accounting policies used in preparing the accompanying consolidated financial statements for 2017 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 Pressprint, S.L. (sole trader) 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 by the straight-line method, 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 included, until 2016, the amount paid by Media Capital 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.

In 2017, the audiovisual rights are included in the "*Non-current assets held for sale*" heading of the accompanying consolidated balance sheet (see notes 7 and 10).

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 2017 the rates used ranged from 6.5% to 15.7% depending on the business being analysed.

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 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 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 of 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 was 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, when the market outlook so requires.

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 13*) 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.

In 2017, the audiovisual rights are included in the "*Non-current assets held for sale*" heading of the accompanying consolidated balance sheet (see notes 9a and 10).

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 it 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.

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

Non-current 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

2017-

The changes in 2017 in "Property, plant and equipment" in the consolidated balance sheet were as follows:

	Thousands of euros							
	Balance at 12/31/2016	Monetary adjustment	Translation adjustment	Changes in scope of consolidation	Additions	Disposals	Transfers	Balance at 12/31/2017
Cost:								
Land and buildings	86,799	1,117	(4,265)	-	567	(3,344)	(10,566)	70,308
Plant and machinery	359,296	590	(4,049)	(350)	2,337	(11,727)	(110,919)	235,178
Other items of property, plant and equipment	127,631	1,175	(10,483)	(154)	15,807	(14,978)	(19,936)	99,062
Advances and equipment in the course	433	-	18	-	1,270	(1)	(1,421)	299
Total cost	574,159	2,882	(18,779)	(504)	19,981	(30,050)	(142,842)	404,847
Accumulated depreciation:								
Buildings	(27,354)	(470)	1,243	-	(1,307)	1,440	6,835	(19,613)
Plant and machinery	(298,473)	(513)	3,020	339	(10,720)	9,616	102,541	(194,190)
Other items of property, plant and equipment	(98,527)	(826)	6,814	110	(14,818)	15,446	17,602	(74,199)
Total accumulated depreciation	(424,354)	(1,809)	11,077	449	(26,845)	26,502	126,978	(288,002)
Impairment losses:								
Buildings	(10,478)	-	-	-	(4,604)	8	-	(15,074)
Plant and machinery	(16,672)	-	-	-	(3,829)	1,927	-	(18,574)
Other items of property, plant and equipment	(265)	-	41	-	(348)	28	-	(544)
Total impairment losses	(27,415)	-	41	-	(8,781)	1,963	-	(34,192)
Net property, plant and equipment	122,390	1,073	(7,661)	(55)	(15,645)	(1,585)	(15,864)	82,653

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

Additions-

The most significant additions in 2017 were as follows:

- "Plant and machinery," in the amount of EUR 2,337 thousand (EUR 7,236 thousand in 2016), mainly due to investments made by Grupo Media Capital, SGPS, S.A. up to June 30, 2017 in audiovisual equipment and by group Prisa Radio for the investments made in technical equipment in Colombia and Spain and in the remodeling of Chile's headquarters.
- "Other items of property, plant and equipment," in the amount of EUR 15,807 thousand (EUR 13,495 thousand in 2016), mainly due to the acquisition of technological equipment in Santillana for use in the classroom by students and teachers integrated into teaching systems.

Additions includes the investments of Media Capital up to June 30, 2017 amounting to EUR 1,141 thousand, the date when the property, plant and equipment of Media Capital were reclassified in the section 'Non-current assets held for sale' on the consolidated balance sheet,

due to the sale transaction set out in *note 3*. As of December 31, 2017, the amount totalled EUR 15,166 thousand (*see note 10*).

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 2017 of Brazil and Colombia (Brazil and Colombia in 2016).

Disposals-

In 2017, fully depreciated *“plant and machinery”* have been derecognized mainly in the companies of group Prisa Radio and in the companies dedicated to printing, within the Press business unit. *“Other items of property, plant and equipment”* mainly include derecognition of fully depreciated assets linked to digital developments and Santillana's learning systems.

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.

The property, plant and equipment amortization expense recorded in 2017 totaled EUR 24,316 thousand. The property, plant and equipment amortization expense for Media Capital in 2017 totalled EUR 5,172 thousand and is presented in the consolidated income statement as *“Net income for the year from discontinued operations net of tax”*.

Impairment losses-

In 2017, impairment losses of EUR 8,735 thousand were recognized for the printing plant in Valencia and Madrid.

There are no restrictions on holding title to the property, plant, and equipment other than those indicated in *note 12*.

There are no future property, plant, and equipment purchase commitments.

At December 31, 2017, the Prisa Group's assets included fully amortized property, plant, and equipment amounting to EUR 276,730 thousand (December 31, 2016: EUR 276,295 thousand).

Non-current assets held under leases-

At December 31, 2017, the consolidated balance sheet included assets held under finance leases amounting to EUR 10,208 thousand (December 31, 2016: EUR 11,993 thousand), EUR 9,339 thousand are registered in *“Property, plant and equipment”* and EUR 869 thousand correspond to Media Capital and its registered in *“Non-current assets held for sale”* (*see notes 3 and 10*).

The breakdown of the carrying amounts of non-current assets held under finance leases by nature of the leased asset at December 31, 2017 and at December 31, 2016 is as follows (in thousands of euros) is as follows:

	12/31/2017			12/31/2016		
	Cost	Accumulated depreciation	Carrying amount	Cost	Accumulated depreciation	Carrying amount
Plant and machinery	1,018	(149)	869	2,520	(1,882)	638
Educational digital equipment	28,902	(19,673)	9,229	35,898	(24,784)	11,114
Other items of property, plant and equipment	269	(159)	110	398	(157)	241
Total	30,189	(19,981)	10,208	38,816	(26,823)	11,993

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 2017 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	15	294	792	247	545	-
Educational digital equipment	-	7,721	14,666	8,862	5,804	-
Other items of property, plant and equipment	-	-	109	18	91	-
Total	15	8,015	15,567	9,127	6,440	-

As of December 31, 2016, 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	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

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, 2017 and at December 31, 2016, the insurance policies taken out sufficiently covered the related risks.

6) GOODWILL

2017-

The detail of the goodwill relating to fully and proportionately consolidated Group companies and of the changes therein in 2017 is as follows:

	Thousands of euros					Balance at 12/31/2017
	Balance at 12/31/2016	Translation adjustment	Changes in scope of consolidation	Disposals	Impairment	
Editora Moderna, Ltda.	64,331	(8,638)	-	-	-	55,693
Grupo Latino de Radiodifusión Chile, Ltda.	58,222	(2,628)	-	-	-	55,594
Grupo Media Capital, SGPS, S.A.	416,695	-	-	(79,670)	(337,025)	-
Propulsora Montañesa, S.A.	8,608	-	-	-	-	8,608
Sociedad Española de Radiodifusión, S.L.	35,585	-	-	-	-	35,585
Other companies	9,680	(125)	3,139	(618)	-	12,076
Total	593,121	(11,391)	3,139	(80,288)	(337,025)	167,556

The detail, by business segment, of the goodwill relating to fully consolidated Group companies and of the changes therein in 2017 is as follows:

	Thousands of euros					Balance at 12/31/2017
	Balance at 12/31/2016	Translation adjustment	Changes in scope of consolidation	Disposals	Impairment	
Radio	109,258	(2,633)	-	-	-	106,625
Education	65,894	(8,676)	257	-	-	57,475
Other	417,969	(82)	2,882	(80,288)	(337,025)	3,456
Total	593,121	(11,391)	3,139	(80,288)	(337,025)	167,556

In the 'Other' segment, in July 2017 and as a result of the value of Vertex and Media Capital at the transaction price (*see nota 1b*), pending the necessary adjustments to the effective sale date, an impairment of EUR 79,670 thousand was recorded in goodwill allocated to this company in the section "*Net income for the year from discontinued operations net of tax*" in the consolidated income statement (*see note 17*). The remaining amount (EUR 337,025 thousand) was reclassified as a non-current asset held for sale.

In turn, the change in scope of this segment is a consequence of the goodwill at EUR 2,882 thousand arising from the acquisition in August 2017 by Prisa Brand Solutions, S.L. (sole trader) of 100% of Latam Digital Ventures, LLC. As of December 31, 2017, the Group has not completed the allocation process of the sale price. This analysis is expected to end in the coming months and not exceed the maximum twelve-month deadline from the purchase date.

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 12/31/2016
	Balance at 12/31/2015	Translation adjustment	Changes in scope of consolidation	Disposals	Impairment	Transfers	
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	-	-	-	-	6,115	35,585
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 12/31/2015	Translation adjustment	Changes in scope of consolidation	Disposals	Impairment	Balance at 12/31/2016
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.

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.

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 (Editora Moderna, Ltda. and Grupo Latino de Radiodifusión Chile, Ltda.), 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 ranging from 0% to 2.5%, no change with respect to 2016. The expected growth rate that has been used in the most relevant impairment tests (Editora Moderna, Ltda. and Grupo Latino de Radiodifusión Chile, Ltda.) is located between 0% and 1.5% in 2017 and in 2016.

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 2017 the rates used ranged from 6.5% to 15.7% (7.6% and 17.8% in 2016) depending on the business being analysed. The rate that has been used for the most relevant impairment tests (Editora Moderna, Ltda. and Grupo Latino de Radiodifusión Chile, Ltda.) is between 9% and 12% (10% and 14% in 2016).

Results of the impairment tests-

According to the estimates and projections available to the Company'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, 2017, may be recovered.

Sensitivity to changes in key assumptions-

- Editora Moderna, Ltda.

To determine the sensitivity of the calculation of value in use to changes in the basic assumptions, the discount rate has been increased by 0.5%. In this case, the recoverable value would exceed the book value by 63.2 million euros. In the event that the expected growth rate from the fifth year was reduced by 0.5%, the recoverable amount would exceed the book value by 64.8 million euros.

- Grupo Latino de Radiodifusión Chile, Ltda.

To determine the sensitivity of the calculation of value in use to changes in the basic assumptions, the discount rate has been increased by 0.5%. In this case, the recoverable value would be lower than the book value in 0.5 million euros. In the event that the expected growth rate from the fifth year was reduced by 0.5%, the recoverable amount would exceed the book value by 1.0 million euros.

7) INTANGIBLE ASSETS

2017-

The changes in 2017 in "Intangible assets" in the consolidated balance sheet were as follows:

	Thousands of euros							Balance at 12/31/2017
	Balance at 12/31/2016	Monetary adjustment	Translation adjustment	Changes in scope of consolidation	Additions	Disposals	Transfers	
Cost:								
Computer software	146,196	473	(2,858)	(60)	10,060	(20,009)	(4,995)	128,807
Prototypes	230,994	1,305	(21,156)	-	32,829	(33,783)	(51)	210,138
Advances on copyrights	8,479	-	(74)	-	1,084	(960)	(870)	7,659
Audiovisual rights	5,588	-	(41)	-	-	-	(5,547)	-
Other intangible assets	100,126	145	(5,341)	9	698	(43)	(20,660)	74,934
Total cost	491,383	1,923	(29,470)	(51)	44,671	(54,795)	(32,123)	421,538
Accumulated amortization:								
Computer software	(114,604)	(471)	2,214	51	(11,543)	18,853	5,339	(100,161)
Prototypes	(170,372)	(1,286)	15,924	-	(32,343)	32,726	(91)	(155,442)
Advances on copyrights	(5,849)	-	(15)	-	(503)	20	903	(5,444)
Audiovisual rights	(4,189)	-	41	-	(700)	-	4,848	-
Other intangible assets	(40,880)	(145)	1,297	(6)	(1,555)	28	15,386	(25,875)
Total accumulated amortization	(335,894)	(1,902)	19,461	45	(46,644)	51,627	26,385	(286,922)
Impairment losses:								
Computer software	(5,016)	-	-	-	(719)	710	571	(4,454)
Prototypes	(1,817)	-	75	-	(37)	333	-	(1,446)
Advances on copyrights	(999)	-	51	-	289	2	(12)	(669)
Other intangible assets	(16,861)	-	2,035	-	(4,121)	1,702	-	(17,245)
Total impairment losses	(24,693)	-	2,161	-	(4,588)	2,747	559	(23,814)
Net intangible assets	130,796	21	(7,848)	(6)	(6,561)	(421)	(5,179)	110,802

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

Additions-

The most significant additions in 2017 were as follows:

- "Prototypes," amounting to EUR 32,829 thousand (EUR 33,599 thousand in 2016), relating to new prototypes for the publication of books at Grupo Santillana, mainly in Brazil and in Spain.
- "Computer software," amounting to EUR 10,060 thousand (EUR 11,748 thousand in 2016), relating to the computer software acquired and/or developed by third parties for Group companies, mainly in Santillana, Prisa Noticias and Radio in Spain.

Additions includes the investments of Media Capital up to June 30, 2017 amounting to EUR 121 thousand, the date when the intangible assets of Media Capital were reclassified in the section 'Non-current assets held for sale' on the consolidated balance sheet, due to the sale transaction set out in note 3. As of December 31, 2017, the amount totaled EUR 10,663 thousand (see note 10).

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 2017 of Brazil and USA (Brazil and Chile in 2016).

Disposals-

Grupo Santillana derecognized, in 2017, EUR 32,726 thousand of fully depreciated prototypes (December 31, 2016: EUR 6,685 thousand).

Additionally, in 2017, Prisa Tecnología, S.L. derecognized fully depreciated computer software for the amount of EUR 16,820 thousand.

In 2016, the Radio business in Spain derecognized fully depreciated computer software for the amount of EUR 21,474 thousand.

The intangible asset amortization expense recorded in 2017 totaled EUR 45,337 thousand. The intangible asset amortization expense for Media Capital in 2017 totaled EUR 2,731 thousand and is presented in the consolidated income statement as *“Net income for the year from discontinued operations net of tax”*.

“Other intangible assets” includes administrative concessions amounting to EUR 45,423 thousand (December 31, 2016: EUR 47,512 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, 2017, the Prisa Group’s assets included fully amortized intangible assets amounting to EUR 204,385 thousand (December 31, 2016: EUR 178,802 thousand).

There are no restrictions on holding title to the intangible assets other than those indicated in *note 12*.

There are no future relevant intangible asset purchase commitments other than those indicated in *note 25*.

8) INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD
2017-

The changes in 2017 in *“Investments accounted for using the equity method”* in the consolidated balance sheet were as follows:

	Thousands of euros						
	Balance at 12/31/2016	Translation adjustment	Changes in scope of consolidation	Share of results / Impairment losses	Transfers	Disposals/ Dividends	Balance at 12/31/2017
Investments accounted for using the equity method:							
Sistema Radiópolis, S.A. de C.V.	33,565	(2,988)	-	5,659	-	(1,993)	34,243
Other companies	3,125	451	11	(840)	672	(415)	3,004
Total	36,690	(2,537)	11	4,819	672	(2,408)	37,247

During 2017, changes in *“Investments accounted for using the equity method”* in the accompanying consolidated balance sheets, is mainly due to the equity in Sistema Radiópolis, S.A. de C.V. profits amounting to EUR 5,659 thousand and to the exchange rate effect.

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/ Dividends	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.

At December 31, 2017 and at December 31, 2016, 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 13).

9) CURRENT ASSETS AND LIABILITIES
a) Inventories

The detail of "Inventories," in thousands of euros, at December 31, 2017 and at December 31, 2016, is as follows:

	12/31/2017			12/31/2016		
	Cost	Write-downs	Carrying amount	Cost	Write-downs	Carrying amount
Finished goods	93,166	(32,916)	60,250	188,979	(34,898)	154,081
Work in progress	740	-	740	3,725	-	3,725
Raw materials and other supplies	11,614	(2,459)	9,155	13,453	(2,580)	10,873
Total	105,520	(35,375)	70,145	206,157	(37,478)	168,679

At December 31, 2017, "Finished goods" includes publications amounting to a net EUR 59,155 thousand (2016: EUR 70,133 thousand).

At December 31, 2017, audiovisual rights of Media Capital are classified as a non-current asset held for sale for a net amount of EUR 81,190 thousand (see note 10), in 2016 these rights amounted to EUR 83,090 thousand and were classified under this heading.

"Raw materials and other supplies" includes mainly paper.

b) Trade and other receivables

The detail of the changes in 2017 and 2016 in "Trade and other receivables- Allowances" is as follows:

Balance at 12/31/2016	Translation adjustment	Changes in scope of consolidation	Charge for the year	Amounts used / Excess	Transfers	Balance at 12/31/2017
56,719	(2,776)	(48)	4,194	(1,748)	(4,770)	51,571

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

The most significant heading included in "Trade and other receivables" is "Trade receivables for sale and services" amounting to EUR 326,249 thousand, net of allowance at December 31, 2017 (EUR 346,975 at December 31, 2016). The details of the aging of this amount is as follows:

	Thousands of euros	
	Balance at 12/31/2017	Balance at 12/31/2016
0-3 months	297,971	285,109
3-6 months	15,097	34,666
6 months - 1 year	12,386	22,686
1 year- 3 years	623	4,174
More than 3 years	172	340
Total	326,249	346,975

The most part of receivables with an aging over one year at December 31, 2016 corresponded to institutional sales of Education business in Dominican Republic that was collected in the first months of 2017, according to an agreement with the government of this country. In addition, it was included exchange clients in Radio that have a counterpart creditor.

c) Cash and cash equivalents

The balance of the heading "*Cash and cash equivalents*" in the accompanying consolidated balance sheet to December 31, 2017 amounts to EUR 217,209 thousand (EUR 246,423 thousand at December 31, 2016). 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 50,000 thousand belong to companies of Radio and Education segments located in Latin America.

In 2016, 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 segments located in Latin America.

d) Other non-trade payables

The heading "*Other non-trade payables*" of the accompanying consolidated balance sheet at December 31, 2017 amounts to EUR 42.600 thousand (EUR 67,945 thousand at December 31, 2016) 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 amounted to EUR 2,963 thousand (*see note 25*).

e) Other current liabilities

The heading "*Other current liabilities*" of the accompanying consolidated balance sheet at December 31, 2017 amounts to EUR 21,391 thousand (EUR 20,865 thousand at December 31, 2016) and includes accrual accounts, mainly generated in the Educational and Radio segments.

10) NON-CURRENT ASSETS AND LIABILITIES HELD FOR SALE

As of December 31, 2017, and due to the transaction describe in notes 1b and 3, the assets and liabilities of Media Capital and Vertex are presented in the consolidated balance sheet as '*Non-current assets held for sale*' and '*Non-current liabilities linked to assets held for sale*'. The contribution in each of the main balance sheet entries is as follows (in EUR thousand):

	12.31.2017
Non-current assets-	356,012
Property, plant, and equipment	15,166
Goodwill	325,105
Intangible assets	10,663
Other non-current assets	5,078
Current assets-	118,160
Inventories	81,190
Trade receivables and other receivables	36,675
Cash and cash equivalents	295
Total assets	474,172
Non-current liabilities-	68,190
Non-current bank borrowings	61,233
Other non-current liabilities	6,957
Current liabilities-	90,886
Commercial creditors	31,316
Other non-trade payables	9,905
Current bank borrowings	34,324
Public administrations	11,255
Other current liabilities	4,086
Total liabilities	159,076

Media Capital and Vertex are valued on the consolidated balance sheet at fair value less costs to sell.

From the moment of classification as an non-current asset held for sale, the goodwill has been deteriorated by an additional amount of EUR 14,598 thousand, of which EUR 3,682 thousand correspond to the revision of the value of the sale transaction to December 2017 (*see note 17*) and the remaining amount, EUR 10,916 thousand, corresponds to the increase in the net assets of Media Capital since the acceptance of the binding offer.

11) EQUITY

a) Share capital

As of January 1, 2017, Prisa share capital amounted to EUR 235,008 thousand, represented by 78,335,958 ordinary shares with a nominal value of EUR 3 each. The following operations modifying the share capital figure were carried out in 2017:

- a) The following capital reductions were carried out in performance of the agreements adopted at the Annual General Meeting held on November 15, 2017:
 - A share capital reduction of EUR 154,322 thousand, i.e. from EUR 235,008 thousand to EUR 80,686 thousand through reducing the nominal value of each of the 78,335,958 ordinary shares with voting rights from EUR 3 per share to EUR 1.03 per share so as to re-establish the balance between the company's capital and net equity.
 - A share capital reduction of EUR 7,050 thousand, i.e. from EUR 80,686 thousand to EUR 73,636 thousand through reducing the nominal value of each of the 78,335,958 ordinary shares with voting rights by EUR 0.09, i.e. from EUR 1.03 per share to EUR 0.94 per share so as to increase the legal reserve.
- b) On November 17, 2017 the necessary capital increase deed was granted regarding the early conversion of the bonds issued in accordance with the Annual General Meeting of April 1, 2016 requested by all the holders of said bonds, as per the conversion bases and methods. A total of 10,491,405 new Prisa shares were issued at a nominal value of EUR 0.94 each, representing a share capital increase of EUR 9,862 thousand, and all aforementioned bonds were amortised as full conversion was requested.

Consequently, as of December 31, 2017, Prisa's share capital stood at EUR 83,498 thousand, represented by 88,827,363 ordinary shares all in the same class and series and with a nominal value of EUR 0.94 each and numbered sequentially from 1 to 88,827,363.

The *Warrants 2013* were not exercised by their holders, with 778,200 warrants pending as of December 31, 2017.

Share capital is fully subscribed and paid out.

After the closing of 2017, in February 2018, the capital increase was subscribed in an amount of EUR 563,220 thousand, agreed at an amount of EUR 450,000 thousand at the General Shareholders' Meeting on November 15, 2017 and, subsequently, expanded by the Board of Directors of Prisa on January 22, 2018, for EUR 113,220 thousand.

On December 31, 2017, 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, Fundación Bancaria Caixa D'Estalvis I Pensions de Barcelona/ Caixabank, S.A, 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 (applying an exchange ratio of 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)	-	16,043,730	18.06
RUCANDIO, S.A. (3)	-	13,729,811	15.46
TELEFONICA, S.A.	10,228,745	-	11.52
INTERNATIONAL MEDIA GROUP, S.A.R.L. (4)	6,400,000	-	7.20
GHO NETWORKS, S.A. DE CV (5)	-	6,297,076	7.09
HSBC HOLDINGS PLC	-	12,827,135	14.44
BANCO SANTANDER, S.A. (6) (7)	1,074,432	2,172,434	3.66
FUNDACION BANCARIA CAIXA D ESTALVIS I PENSIONS DE BARCELONA (6)	-	2,997,879	3.37
NICOLAS BERGGRUEN (8)	6,115	947,433	1.07

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	OVIEDO HOLDINGS, S.A.R.L	1,431,471
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	12,827,135
BANCO SANTANDER, S.A.	SOCIEDADES GRUPO SANTANDER	2,172,434
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, 2017 (i.e. 88,827,363 voting 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 Oviedo Holdings Sarl, Amber Active Investors Limited and Amber Global 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 (7.09%) voting rights held by Occher, 6,140,576 (6.91%) 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 15.46% over the total voting rights of the Company, which is indirectly held by Rucandio, includes the 6.91% 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 Thani 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, 2017, 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 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) In addition to the voting rights that are reflected in the above tables, some companies whose dominant entity is Santander, S.A. and Caixabank, S.A. subscribed 1,001,260 and 1,001,263 shares, respectively, within the framework of the capital increase for the conversion of Prisa bonds mandatorily convertible into new ordinary shares, which were issued in 2016, and which carried the same number of voting rights as those corresponding to the ordinary shares of the company (*see section c*).

(7) 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., and Suleyado 2003, S.L.

(8) 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 no specific restriction whatever regarding the availability of the balance of this reserve.

The Extraordinary Shareholders' Meeting held on November 15, 2017 applied the entire 'share premium' existing at that time and amounting to EUR 1,371,299 thousand to partially pay for the losses in prior year line item to be able to then approve the capital reductions set out in the previous section, leaving the 'share premium' at that time at EUR 0.

Mainly as a result of the capital increase due to the aforementioned early bond conversion, the share premium as of December 31, 2017 stood at EUR 95,002 thousand (*see section c*).

c) Issuance of financial instrument

On April 1, 2016, the Prisa Annual General Meeting approved the issuance of bonds mandatorily convertible into newly-issued ordinary Prisa shares through swapping the company's financial debt. The issuance was exclusively aimed at specific company creditors who subscribed a total of 10,074,209 bonds swapping certain loans for a total amount of EUR 100,742 thousand. This issue was subscribed in April 2016 and entailed two tranches:

- Tranche A: for an amount of EUR 32,112 thousand subscribed by HSBC Bank Plc., Caixabank S.A. and several companies of the Santander Group through swapping all subordinated debt from the capitalized interest linked to the issuance of the bond by the company in 2012.
- Tranche B: for an amount of EUR 68,630 thousand subscribed by HSBC through swapping part of its participation loans.

The bond issuance was treated as an equity instrument since it is mandatorily convertible into a fixed number of shares and does not include any contractual obligation to hand over cash or any other financial asset. An increase in equity amounting to EUR 100,742 thousand was recorded in 2016 under the section 'Other reserves' as a result of recording the equity instruments to issue operation at fair value.

The set maturity date of the bonds was April 7, 2018, with a unit conversion price of EUR 10 per share. On October 31, 2017, the bondholders exercised the early conversion option they had the right to in accordance with the conversion bases and methods. This conversion resulted in the execution of a capital increase describe in the previous section on November 17, 2017 and the subsequent early amortization of all the bonds.

The bond interest accrued from January 1, 2017 until the date of conversion amounted to EUR 2,222 thousand (EUR 1,950 thousand in 2016). This amount has been capitalized on the date of conversion.

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 was unrestricted.

The Extraordinary Shareholders' Meeting held on November 15, 2017 applied the totality of this reserve to partially offset the negative results of previous years to be able to then approve the capital reductions set out in the section a) previous, leaving this reserve at that time at EUR 0.

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 December 31, 2016 amounted to EUR 10,650 thousand and was unrestricted.

The Extraordinary Shareholders' Meeting held on November 15, 2017 applied the totality of this reserve to partially offset the negative results of previous years to be able to then approve the capital reductions set out in the section a) previous, leaving this reserve at that time at EUR 0.

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.

At the Extraordinary Shareholders' Meeting held on November 15, 2017, the entire "legal reserve" existing at that time (EUR 5,335 thousand) was applied to partially offset the negative results of previous to be able to then approve the capital reductions set out in the section a) previous, leaving this reserve at that time at EUR 0. Immediately after this compensation, the General Meeting agreed to a capital reduction of EUR 7,050 thousand to increase the legal reserve, remaining at that time in the amount of EUR 7,050 thousand (EUR 5,335 thousand at December 31, 2016).

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, 2017 amounts to EUR 694 thousand (EUR 1,735 thousand at December 31, 2016).

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.

At the Extraordinary Shareholders' Meeting held on November 15, 2017, the entire "legal reserve" existing at that time (EUR 11,885 thousand) was applied to partially offset the negative results of previous to be able to then approve the capital reductions set out in the section a) previous, leaving this reserve at that time at EUR 0 (EUR 11,885 thousand at December 31, 2016).

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 2017 and 2016 were as follows:

	2017		2016	
	Number of shares	Amount (Thousands of euros)	Number of shares	Amount ((Thousands of euros)
At beginning of year	330,407	1,735	457,037	2,386
Deliveries	(59,682)	(366)	(126,630)	(777)
Reserve for treasury shares	-	(675)	-	126
At end of year	270,725	694	330,407	1,735

At December 31, 2017, Promotora de Informaciones, S.A. held a total of 270,725 treasury shares, representing 0.305% of its share capital.

Treasury shares are valued at market price at December 31, 2017 (2.56 euros per share).

The total amount of the treasury shares amounts to EUR 694 thousand.

Deliveries of shares are detailed in note 15 of this Consolidated Annual Report.

At December 31, 2017, the Company did not hold any shares on loan.

h) Exchange differences

Exchange loss at December 31, 2017, amounted to EUR 37.894 thousand (December 31, 2016: exchange loss of EUR 809 thousand). In 2017, the most significant exchange differences are generated in Colombia, Brazil, Mexico, Argentina and USA by the evolution of exchange rates.

The detail, by business segment, of the exchange differences is as follows (in thousands of euros):

	12/31/2017	12/31/2016
Radio	(15,354)	(8,639)
Education	(23,091)	7,207
Press	712	900
Other	(161)	(277)
Total	(37,894)	(809)

i) Translation differences in accumulated profit from prior years

The detail, by company, of the translation differences in 2017 and 2016 is as follows:

	Thousands of euros	
	12/31/2017	12/31/2016
Grupo Santillana Educación Global, S.L. and subsidiaries	4,247	(8,558)
Sistema Radiópolis, S.A. de C.V.	(2,678)	(4,970)
Other	518	(1,362)
Total	2,087	(14,890)

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 2017 and 2016 were as follows:

	Thousands of euros						Balance at 12/31/2017
	Balance at 12/31/2016	Translation adjustment	Participation in results	Changes in scope of consolidation	Dividends paid/received	Other	
Caracol, S.A.	13,749	(1,664)	2,034	-	(2,096)	138	12,161
Diario As, S.L.	11,648	-	691	(26)	(417)	(107)	11,789
GLR Chile, Ltda.	17,733	(792)	1,034	-	(1,537)	(13)	16,425
Grupo Santillana Educación Global, S.L. and subsidiaries	15,519	(8,717)	21,657	299	(21,563)	704	7,899
Grupo Media Capital, SGPS, S.A. and subsidiaries	7,895	24	1,051	-	(942)	(518)	7,510
Prisa Radio, S.A. and subsidiaries (Spain)	15,749	-	801	-	(27)	105	16,628
Other companies	6,787	(625)	(100)	(75)	(429)	562	6,120
Total	89,080	(11,774)	27,168	198	(27,011)	871	78,532

	Thousands of euros						Balance at 12/31/2016
	Balance at 12/31/2015	Translation adjustment	Participation in results	Dividends paid/received	Other		
Caracol, S.A.	13,947	1,910	2,574	(4,246)	(436)	13,749	
Diario As, S.L.	11,628	-	977	(473)	(484)	11,648	
GLR Chile, Ltda.	17,130	1,559	1,064	(2,020)	-	17,733	
Grupo Santillana Educación Global, S.L. and subsidiaries	(3,261)	3,647	23,447	(23,077)	14,763	15,519	
Grupo Media Capital, SGPS, S.A. and subsidiaries	7,741	(7)	1,014	(853)	-	7,895	
Prisa Radio, S.A. and subsidiaries (Spain)	13,247	-	1,561	1,708	(767)	15,749	
Other companies	6,504	(1,076)	(435)	(942)	2,736	6,787	
Total	66,936	6,033	30,202	(29,903)	15,812	89,080	

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 section c*).

Also, in 2015, Prisa consolidated and exchanged shares (1 for 30) 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). This agreement establishes commitments to maintain leverage ratios and interest cover at specific levels (*see note 12b*).

Since the signing of the refinancing agreement in 2013, 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 through the issuance of bonds mandatorily convertible into shares via the exchange of financial debt and issued in 2016 and finally converted into shares in 2017.

In addition, in 2017 Prisa's Board of Directors accepted a binding offer for the sale of Media Capital (*see note 1b*), the proceeds from which, where appropriate, will be used to pay down debt.

Also, the General Meeting of Prisa Shareholders' held on 15 November 2017 agreed a series of capital reductions and reserves aimed at adapting the Company's equity structure. These reductions were applied in November 2017. It also agreed a capital increase for EUR 450,000 thousand and, subsequently, expanded by the Board of Directors of Prisa on January 22, 2018, for EUR 113,220 thousand. In February 2018, the capital increase was subscribed and paid out in an amount of EUR 563,220 thousand (*see notes 11a and 27*).

Lastly, as of January 22, 2018, the Company had signed a framework agreement with all the financial creditors of the Override Agreement to refinance and modify the terms of Prisa's current financial debt (Refinancing framework agreement). The effectiveness of this agreement is subject, among other conditions, to the cancellation of a debt of EUR 450,000 thousand with the funds from the cash capital increase, described above, at the time of the entry into force of the Refinancing agreement (*see notes 11a and 27*).

12) NON- CURRENT FINANCIAL ASSETS AND FINANCIAL LIABILITIES
a) Financial investments

The breakdown by category of financial investments of the Group at December 31, 2017 and 2016 is as follows:

2017 -

	Thousands of euros			
	Financial assets available for sale	Loans and receivables	Investments held to maturity	Total
Equity instruments	1,602	-	-	1,602
Other financial assets	-	10,937	13,022	23,959
Non-current financial investments	1,602	10,937	13,022	25,561
Equity instruments	2,335	-	-	2,335
Other financial assets	-	2,690	18,315	21,005
Current financial investments	2,335	2,690	18,315	23,340
Total	3,937	13,627	31,337	48,901

The change in the section "*Current financial investments*" is due to the impairment in receivables arising from the sale of Redprensa, S.L. (Sole Trader) in September 2013 amounting to EUR 4,665 thousand.

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

Non-current financial assets

The changes in “*Non-current financial assets*” in the consolidated balance sheet in 2017 by type of transaction were as follows:

	Thousands of euros					
	Balance at 12/31/2016	Translation / monetary adjustment	Changes in scope of consolidation	Additions / allowance	Disposals / Transfers	Balance at 12/31/2017
Loans and receivables	17,060	(1,557)	-	(4,842)	276	10,937
Loans to associates	35,641	(1,088)	-	791	135	35,479
Long-term loans to third parties	7,941	(586)	-	1	(2,084)	5,272
Allowance	(26,522)	117	-	(5,634)	2,225	(29,814)
Held-to-maturity investments	12,849	(1,073)	-	1,517	(271)	13,022
Available-for-sale financial assets	3,983	(1)	(7)	(853)	(1,520)	1,602
Non-controlling equity interests	9,181	(4)	-	310	(2,585)	6,902
Other non-current financial assets	1,012	-	(7)	-	(1,005)	-
Allowance	(6,210)	3	-	(1,163)	2,070	(5,300)
Total	33,892	(2,631)	(7)	(4,178)	(1,515)	25,561

The change in the section '*Loans and receivables*' is due to the impairment in loans granted to Le Monde amounting to EUR 3,175 thousand. After this impairment the loan granted to Le Monde amounting to EUR 6,351 thousand. Additionally, is included the impairment in loans granted to certain radio companies in Argentina amounting to EUR 2,200 thousand.

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 12/31/2015	Translation / monetary adjustment	Changes in scope of consolidation	Additions / allowance	Disposals / Transfers	Balance at 12/31/2016
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 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, 2017 and 2016 is as follows:

2017-

	Thousands of euros
	Debts and payables
Bank borrowings	642,248
Other financial liabilities	120,147
Non-current financial liabilities	762,395
Bank borrowings	1,002,633
Other financial liabilities	22,630
Current financial liabilities	1,025,263
Total	1,787,658

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

Bank borrowings

The detail, in thousands of euros, of the bank borrowings at December 31, 2017, 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)	December 2018	956,512	956,512	-
Syndicated loan Prisa (Tranches 3)	December 2019	181,471	-	181,471
Participative loan (PPL)	December 2019	450,922	-	450,922
Credit facilities	2018	55,618	26,271	-
Loans	2018 - 2023	30,475	17,574	12,902
Finance leases, interest and other	2018 - 2021	-	10,080	6,424
Loan arrangement costs	2018 - 2019	-	(7,804)	(9,471)
Total		1,674,998	1,002,633	642,248

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)	December 2018	956,512	-	956,512
Syndicated loan Prisa (Tranches 3)	December 2019	176,985	-	176,985
Participative loan (PPL)	December 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 changes in bank borrowings in 2017 and 2016 were as follows:

	2017	2016
Bank borrowings at beginning of year	1,722,023	2,008,523
Amortization / debt disposition (*)	(743)	(232,675)
Accrual / Cancellation of loan arrangement costs	12,354	17,829
Capitalizable fixed cost	15,654	16,376
Transfer	(99,329)	-
Issuance of the convertible bond (see note 11c)	-	(100,742)
Effect of foreign exchange rate changes in debt	(4,305)	12,184
Others	(773)	528
Bank borrowings at end of year	1,644,881	1,722,023

(*)Movement that generates cash flow

In 2017, the transfer is a consequence of the reclassification of the bank borrowings of Media Capital under the heading "Liabilities associated to non-current assets held for sale" of the consolidated balance sheet as a result of the operation described in the note 1b.

Of the total bank borrowings at December 31, 2017, 97.39% were denominated in euros (97.97% at December 31, 2016) and the remainder in foreign currencies.

The average interest rates on the Group's bank borrowings were 2.87% in 2017 and 3.13% in 2016.

Of the total bank borrowings at December 31, 2017, 60.32% were linked to floating interest rates and the rest to fixed ones (59.85% to floating interest at December 31, 2016).

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 1,620,708 thousand at December 31, 2016 considering a 2.49% average discount over the real principal payment obligation to the creditor entities (a fair value of EUR 1,563,463 thousand with an average discount of 10.77% at December 31, 2016).

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. In May 2015, Prisa paid off Tranche 1 fully.

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, structuring its debt in two tranches (Tranche 2 and Tranche 3):

Tranche 2-

Tranche 2 of the debt, at December 31, 2017 set at EUR 956,512 thousand, has a Euribor-indexed cost plus a negotiated margin with the lenders. Tranche 2 matures in December 2018.

Tranche 3-

Tranche 3 matures in 2019 and its cost is a margin negotiated with lenders, as well as a fixed cost that may be capitalized (PIK).

As of December 31, 2017, the Tranche 3 amount totalled EUR 181,471 thousand.

Participating Loan (PPL)-

The Participating Loans were constituted to re-establish the equity balance at Prisa after recording losses from the sale of DTS, Distribuidora de Televisión Digital, S.A. As set out in the Group finance agreements, the mechanism was used to automatically convert part of Tranche 3 of debt into participating loans.

As of December 31, 2017, the Group's Participating Loans stood at EUR 450,922 thousand. The financial cost is the same as for Tranche 3.

As stated in notes 1b and 27, as of January 22, 2018, the Company had signed a framework agreement with all the financial creditors of the Override Agreement to refinance and modify the terms of Prisa's current financial debt (Refinancing framework agreement), which implies, the extension of the maturity of the debt until November and December 2022 and no mandatory repayments until December 2020, once a payment of EUR 450 million has been made with the funds obtained from the capital increase approved in the General Shareholders'

Meeting of the Company held on November 15, 2017 described in the note 1b. The initial cost of the refinanced debt will be Euribor plus a margin of 4%.

Other aspects of the debt-

Compliance with certain financial ratios is established in the financial agreements. The Company's Directors consider that these ratios were fulfilled at December 31, 2017.

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 people together, with more than 30% of the capital with voting rights.

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

Personal guarantees

Tranches 2, 3 and the PPL of Prisa's debt, corresponding the debt refinanced in December 2013, are jointly guaranteed by the Group companies Bidasoa Press, S.L., Prisaprint, S.L. (after the liquidation of Dédalo Grupo Gráfico, S.L. in December 2017, as set out in note 3), Diario El País, S.L., Distribuciones Aliadas, S.A., Grupo de Medios Impresos y Digitales, S.L., Norprensa, S.A. and Prisa Participadas, S.L.

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

- The guarantee granted by Prisa Radio, S.A. will be limited to a maximum amount equal to the lower of the following:
 - o EUR 1,314,706 thousand
 - o 73.49% of its equity at any time
- 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. (currently Prisaprint, S.L.), Norprensa, S.A. and Distribuciones Aliadas, S.A. pledged certain properties and receivables related to certain material contracts to guarantee 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 Prisa's 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 the PPL.

Lastly, a pledge on certain properties and receivables was also granted to the creditors of the financing for Dédalo Grupo Gráfico, S.L (dissolved and liquidated in December 2017).

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 2018 total EUR 26,271 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 signings in 2016 and in 2017.

Foreign currency derivatives-

In 2017, 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	2018	106	89	(2)
Editora Moderna LTDA	Forward	2018	108	91	(1)
Editora Moderna LTDA	Forward	2018	2,096	1,770	(25)
Editora Moderna LTDA	Forward	2018	62	52	(0)
Editora Moderna LTDA	Forward	2018	708	598	(9)
Editora Moderna LTDA	Forward	2018	49	41	(1)
Editora Moderna LTDA	Forward	2018	26	22	(0)
Editora Moderna LTDA	Forward	2018	109	92	(1)
Editora Moderna LTDA	Forward	2018	217	183	(2)
Editora Moderna LTDA	Forward	2018	219	185	(9)
Editora Moderna LTDA	Forward	2018	441	373	(11)
Editora Moderna LTDA	Forward	2018	2,557	2,159	(18)
Editora Moderna LTDA	Forward	2018	633	535	22
Santillana del Pacífico	Forward	2018	463	391	(8)
Santillana del Pacífico	Forward	2018	548	463	(13)
Santillana del Pacífico	Forward	2018	548	463	(13)
Santillana del Pacífico	Forward	2018	548	463	(14)
			9,438	7,970	(105)

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)	12/31/2017
+10% (increase in USD exchange rate)	10
-10% (decrease in USD exchange rate)	(12)

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 2017 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 2017.

Maturity	Thousands of euros	Floating euro rates
Within 3 months	39,042	0.00%
From 3 to 6 months	15,995	0.00%
From 6 to 9 months	16,510	0.00%
From 9 to 12 months	965,370	0.00%
From 1 to 2 years	679,055	0.00%
From 2 to 3 years	3,010	0.00%
After 3 years	2,851	0.30%
Total	1,721,833	

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, 2017, the Group recognized a financial liability of EUR 119,795 thousand (December 31, 2016: EUR 136,149 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, 2017, the accrued amount of the obligation to pay the preferred dividend for said year amounting to EUR 21,563 thousand (2016: EUR 23,076 thousand).

13) LONG-TERM PROVISIONS

The changes in 2017 in "Long-term provisions" were as follows:

	Thousands					
	Balance at 12/31/2016	Translation adjustment	Charge for the year	Amounts used /Disposals	Transfers	Balance at 12/31/2017
For taxes	26,805	(51)	85	(4,706)	(5,320)	16,813
For indemnities	9,644	(14)	1,845	(4,385)	(65)	7,025
For third-party liability and other	20,067	(1,611)	2,282	(5,148)	(421)	15,169
Total	56,516	(1,676)	4,212	(14,239)	(5,806)	39,007

The changes in 2016 in "Long-term provisions" were as follows:

	Thousands						
	Balance at 12/31/2015	Translation adjustment	Changes in scope of consolidation	Charge for the year	Amounts used /Disposals	Transfers	Balance at 12/31/2016
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

In 2017, the "Transfers" column includes EUR 5,935 thousand for the balance of the long-term provisions of Media Capital as of June 30, 2017, the date on which the company's assets were

reclassified under '*Non-current assets held for sale*' in the consolidated balance sheet, as a result of the sale described in note 3 (see note 10).

The "*Provision for taxes*" relates to the estimated amount of tax debts arising from the tax audit carried out at various Group companies.

In 2017 the "*Provision for taxes*" movement mainly corresponds to the withdrawals arising of the execution, by the Tax Authority of the decision of the National Appellate Court of May 5, 2016, concerning the Tax Audit for the 2003-2005 consolidated corporate tax (see note 19).

In 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 19).

The "*Provision for indemnities*" includes the provision booked in the previous years to record the downsizing processes (see note 15). In 2017, the Group booked an additional provision for this item of EUR 1,845 thousand (December 31, 2016: EUR 1,195 thousand), has used EUR 3,113 thousand (December 31, 2016: EUR 4,210 thousand) as a result of indemnity payments and commercial paper issuances and has reversed EUR 1,272 thousands (December 31, 2016: 2,340 thousand). 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, 2017, 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	1,111
Green Emerald Business, Inc.	2,077
Other	3,136
Total	6,324

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.

14) OPERATING INCOME

The breakdown of income from the Group's main business lines is as follows:

	Thousands of euros	
	2017	2016
Advertising sales and sponsorship	348,981	362,586
Sales of books and training	646,428	626,364
Newspaper and magazine sales	79,377	91,572
Sales of add-ons and collections	16,826	18,079
Sale of audiovisual rights and programs	1,957	939
Intermediation services	10,317	7,135
Other services	40,945	50,447
Revenue	1,144,831	1,157,122
Income from non-current assets	4,115	4,356
Other income	21,759	23,004
Other income	25,874	27,360
Total operating income	1,170,705	1,184,482

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 3,439 thousand in 2017 (December 31, 2016: EUR 6,354 thousand).

15) OPERATING EXPENSES

Staff costs

The detail of "*Staff costs*" is as follows:

	Thousands of euros	
	2017	2016
Wages and salaries	267,706	264,178
Employee benefit costs	52,940	52,306
Termination benefits	25,369	14,856
Other employee benefit costs	15,310	13,717
Total	361,325	345,057

The expense for indemnities in the years 2017 and 2016 is a consequence of the optimization of the workforce to adapt it to the new market environment and to the new business models, mainly in the radio and press businesses.

The average number of employees of the Group and the number of employees at December 2017 and 2016, by professional category, was as follows:

	2017		2016	
	Average	Final	Average	Final
Executives	388	374	396	400
Middle management	1,204	1,196	1,182	1,231
Other employees	7,106	7,215	7,119	7,259
Total	8,698	8,785	8,697	8,890

The breakdown of the average number of employees, by gender, was as follows:

	2017		2016	
	Women	Men	Women	Men
Executives	124	264	127	269
Middle management	517	687	498	684
Other employees	3,281	3,825	3,313	3,806
Total	3,922	4,776	3,938	4,759

The breakdown of the number of employees, by gender, was as follows:

	2017		2016	
	Women	Men	Women	Men
Executives	119	255	130	270
Middle management	513	683	527	704
Other employees	3,345	3,870	3,415	3,844
Total	3,977	4,808	4,072	4,818

During 2017 the average number of employees with a disability greater than or equal to 33% was 37 (23 during 2016).

The previous employee figures included staff at Media Capital, and expenditure on personnel is included under “Loss from discontinued operations” in the accompanying consolidated income statement (see notes 3 and 17). The breakdown of the Media Capital workforce was as follows:

	2017		2016	
	Average	Final	Average	Final
Executives	54	55	52	52
Middle management	40	41	45	43
Other employees	907	936	960	894
Total	1,001	1,032	1,057	989

The breakdown of the average workforce, by gender, at Media Capital was as follows:

	2017		2016	
	Women	Men	Women	Men
Executives	13	41	12	40
Middle management	14	26	20	25
Other employees	381	526	413	547
Total	408	593	445	612

The breakdown of the final workforce, by gender, at Media Capital was as follows:

	2017		2016	
	Women	Men	Women	Men
Executives	14	41	11	41
Middle management	14	27	21	22
Other employees	396	540	374	520
Total	424	608	406	583

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 2017 in the amount of EUR 195 thousand.

The 49,745 shares accrued in this category over that period have not yet been fully delivered.

In April 2017 Prisa delivered 5,549 shares in partial payment of the fixed compensation of external directors for the fourth quarter of 2016. The corresponding expense, in an amount of EUR 53 thousand, was entered in the profit and loss account for 2016.

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

- o Effective January 1, 2018, Mr. Juan Luis Cebrián has ceased to be Executive Chairman of the Company. In 2017 no provision was recorded for the variable multi-year incentive for the 2016/2018 period that was included in his contract with the Company, since such remuneration had not been recognized upon termination of his contract. The accounting provisions for this concept in 2016 amounting to EUR 500 thousand and in the first half of 2017 amounting to approximately EUR 200 thousand have been derecognized.
- o 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 was for a term of three years, from January 1, 2014 to December 31, 2016.

In May 2017, Prisa delivered 38,866 shares in partial payment of this incentive to certain executives. The corresponding expense is recorded in the income statement for the 2016.

iii) The extraordinary incentive:

The Board of Directors has recognized Mr. Cebrián the right to receive an extraordinary incentive linked to the success of the financial restructuring and capitalization as well as the sale of Media Capital, approved by the Extraordinary Shareholders' Meeting of November 15, 2017, with a volume of 1,600,000 shares of Prisa, which is accrued in accordance with the terms and conditions set forth in the resolution of the Meeting.

Outside services

The detail of "Outside services" in 2017 and 2016 is as follows:

	Thousands of euros	
	2017	2016
Independent professional services	109,897	112,650
Leases and fees	52,462	53,436
Advertising	48,363	48,293
Intellectual property	33,238	31,742
Transport	35,405	34,243
Other outside services	145,552	153,174
Total	424,917	433,538

In 2017, "Other outside services" include an expense of EUR 272 thousand corresponding to the liability insurance of executives and directors (EUR 281 thousand in 2016).

Fees paid to auditors

The fees for financial audit services relating to the 2017 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 1,671 thousand (2016: EUR 1,684 thousand), of which EUR 296 thousand relate to Prisa (2016: EUR: 180 thousand). Also, the fees relating to other auditors involved in the 2017 audit of the various Group companies amounted to EUR 326 thousand (2016: EUR 361 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):

	2017		2016	
	Principal auditor	Other audit firms	Principal auditor	Other audit firms
Other verification services	395	72	472	22
Tax advisory services	50	429	222	348
Other services	257	2,083	747	1,189
Other professional services	702	2,584	1,441	1,559

Fees for professional services provided to Group companies by the auditing firms are registered under "*Outside services*", except for those related to Media Capital Group amounting to EUR 444 thousand (2016: EUR 358 thousand), which are registered under "*Loss after tax from discontinued operations*" (see note 17).

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 (Madrid), Miguel Yuste (Madrid), Tres Cantos (Madrid), Caspe (Barcelona) 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
2018	33,206
2019	29,706
2020	27,383
2021	22,372
2022	17,880
2023 and beyond	122,393
	252,940

Of these future payments, EUR 10,693 thousand is accounted for by Grupo Media Capital.

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 lease contract for Tres Cantos has an obligatory period of 5 years, until April 30, 2020. The lease expense for properties in 2017 amounted to EUR 20,347 thousand (EUR 22,431 thousand in 2016) and was recognized under "*Outside services - Leases and fees*".

Likewise, the Queluz lease contract expires in 2022. The lease expense relating to this building and other studios and warehouses amounted to EUR 1,834 thousand (2016: EUR 1,825 thousand) and was recognized under "*Loss after tax from discontinued operations*" in the accompanying consolidated income statement (see note 17).

Radio frequencies are leased from Media Latina expires in June 2021. The lease expense for 2017 in this connection amounted to EUR 7,389 thousand (2016: EUR 7,038 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	
	2017	2016
Change in operating allowances	7,619	17,611
Change in inventory write-downs	9,669	9,901
Change in provision for sales returns	623	970
Total	17,911	28,482

16) FINANCIAL LOSS

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

	Thousands of euros	
	2017	2016
Income from current financial assets	1,466	1,251
Income from equity investments	87	151
Other finance income	3,976	24,145
Finance income	5,529	25,547
Interest on debt	(49,231)	(54,253)
Adjustments for inflation	(1,945)	(3,117)
Loan arrangement costs	(12,354)	(17,838)
Other finance costs	(17,486)	(28,733)
Finance costs	(81,016)	(103,941)
Exchange gains	29,590	14,302
Exchange losses	(18,772)	(18,365)
Exchange differences (net)	10,818	(4,063)
Change in fair value of financial instruments	-	(1)
Financial loss	(64,669)	(82,458)

In 2016, 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.

The reduction in "*Interest on debt*" is due mainly to the lower level of debt of Prisa (see note 12b).

In 2017, "Loan arrangement costs" include the costs accrued during the year, in 2016 was included, additionally, the low costs associated with the cancelled debt.

The increase in "Exchange gains" is mainly due to the income generated by the update of the dividend payable to DLJ (see note 12b) as a result of the depreciation of the dollar.

17) PROFIT AND LOSS AFTER TAX FROM DISCONTINUED OPERATIONS

As of December 31, 2017, the headline "Net income for the year from discontinued operations net of tax" includes the following items:

- The contribution of the result of Media Capital to the results of the Group during the year 2017, amounting to EUR 20,328 thousand.
- The loss resulting from the registration of the sale agreement for an amount of EUR 73,221 thousand: this result includes an impairment of the goodwill of EUR 79,670 thousand (see note 6), as well as the materialization of a positive result by an intra-group transaction with Media Capital made in the past.
- The recording of an additional impairment from the revision of the value of the transaction as of December 31, 2017, for EUR 3,682 thousand (see notes 1b and 10).
- The recording of an additional impairment amounting to EUR 10,916 thousand, offset by the increase in the net assets of Media Capital from the moment of acceptance of the binding offer (see note 10).

For comparison purposes, the results of Media Capital as of December 31, 2016 have been reclassified in this section. The breakdown is as follows:

(Thousand of euros)	12.31.2017	12.31.2016
Operating income-	165,035	173,555
Revenue	163,883	172,838
Other income	1,152	717
Operating expenses-	(132,345)	(139,658)
Cost of materials used	(20,727)	(18,055)
Staff costs	(41,189)	(43,652)
Depreciation and amortisation charge	(7,903)	(8,232)
Outside services	(61,915)	(69,040)
Change in allowances, write-downs and provisions	(210)	(667)
Impairment of goodwill	(343)	-
Other expenses	(58)	(12)
Profit from operations	32,690	33,897
Financial loss	(4,457)	(4,599)
Loss of companies accounted for using the equity method	-	(532)
Expense tax	(7,905)	(9,018)
Net income for the year from discontinued operations net of tax	20,328	19,748

18) 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 2017 considering the nature of the products and services offered, and the customer segments which they target.

The audiovisual segment has been eliminated because Media Capital representing nearly the entire segment and being presented as a discontinued operation. The information of 2016 has been modified for comparison purposes. *Therefore*, at December 31, 2017, Prisa's operations are divided into three main segments:

- 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

The column "*Others*" includes Prisa Brand Solutions, S.L. (Sole Trader), 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. (Sole Trader), 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., Prisa Inn, S.A., Grupo Media Capital, Promotora de Emisoras de Televisión, S.A and Plural Entertainment Canaria, S.L.

Segment information about these businesses for 2017 and 2016 is presented below. The column "*Eliminations and adjustments*" mainly includes transactions between group companies:

Consolidated financial statements for 2017

	EDUCATION		RADIO		PRESS		OTHERS		ELIMINATIONS AND ADJUSTMENTS		PRISA GROUP	
	12.31.2017	12.31.2016	12.31.2017	12.31.2016	12.31.2017	12.31.2016	12.31.2017	12.31.2016	12.31.2017	12.31.2016	12.31.2017	12.31.2016
Operating income	656,203	637,535	280,666	301,051	220,578	239,896	88,864	67,332	(75,606)	(61,332)	1,170,705	1,184,482
- External sales	655,655	637,129	278,936	295,636	171,174	189,246	63,194	61,635	1,746	836	1,170,705	1,184,482
- Advertising	0	0	248,883	251,276	56,274	64,201	43,823	47,109	1	0	348,981	362,586
- Books and training	646,428	626,364	0	0	0	0	0	0	0	0	646,428	626,364
- Newspapers and magazines	0	0	0	0	79,377	91,572	0	0	0	0	79,377	91,572
- Sale of audiovisual rights and programs	0	0	32	215	0	0	1,926	725	(1)	(1)	1,957	939
- Other	9,227	10,765	30,021	44,145	35,523	33,473	17,445	13,801	1,746	837	93,962	103,021
- Intersegment sales	548	406	1,730	5,415	49,404	50,650	25,670	5,697	(77,352)	(62,168)	0	0
- Advertising	0	0	1,310	4,472	49,226	50,287	(43,832)	(47,046)	(6,704)	(7,713)	0	0
- Books and training	7	0	0	0	0	0	0	0	(7)	0	0	0
- Newspapers and magazines	0	0	0	0	0	0	0	0	0	0	0	0
- Sale of audiovisual rights and programs	0	0	0	0	0	0	33	480	(33)	(480)	0	0
- Other	541	406	420	943	178	363	69,469	52,263	(70,608)	(53,975)	0	0
Operating expenses	(546,010)	(538,953)	(252,251)	(272,849)	(234,682)	(232,836)	(132,151)	(58,841)	100,134	18,574	(1,064,960)	(1,084,905)
- Cost of materials used	(135,070)	(149,927)	(528)	(1,358)	(45,845)	(53,322)	88	18	4,278	5,207	(177,077)	(199,382)
- Staff costs	(156,903)	(146,104)	(93,949)	(104,808)	(61,024)	(57,707)	(49,449)	(36,438)	0	0	(361,325)	(345,057)
- Depreciations and amortisation charge	(52,998)	(55,424)	(8,232)	(7,779)	(7,489)	(7,398)	(934)	(4,363)	0	0	(69,653)	(74,964)
- Outside services	(184,550)	(170,193)	(144,797)	(153,605)	(109,740)	(113,597)	(56,375)	(51,726)	70,545	55,583	(424,917)	(433,538)
- Change in operating provisions	(14,102)	(14,682)	(2,393)	(4,581)	(1,089)	(677)	(327)	(8,542)	0	0	(17,911)	(28,482)
- Changes in valuation allowances to Group companies	0	0	0	3	0	0	(25,113)	42,212	25,113	(42,215)	0	0
- Other expenses	(2,387)	(2,623)	(2,352)	(721)	(9,495)	(135)	(40)	(2)	198	(1)	(14,077)	(3,482)
Profit from operations	110,193	98,582	28,415	28,202	(14,104)	7,060	(43,287)	8,491	24,528	(42,758)	105,745	99,577
Finance income	2,817	3,565	1,969	681	860	749	14,692	33,719	(14,809)	(13,167)	5,529	25,547
Finance costs	(36,198)	(42,056)	(5,833)	(6,790)	(11,149)	(1,040)	(58,282)	(83,745)	30,446	29,689	(81,016)	(103,942)
- Interest expenses	(7,978)	(11,741)	(1,995)	(1,216)	(3,111)	(301)	(44,756)	(47,500)	8,609	6,505	(49,231)	(54,253)
- Other financial expenses	(28,220)	(30,315)	(3,838)	(5,574)	(8,038)	(739)	(13,526)	(36,245)	21,837	23,184	(31,785)	(49,689)
Exchange differences (net)	15,607	(4,952)	(3,825)	1,123	(437)	(252)	(528)	19	1	(1)	10,818	(4,063)
Financial profit (loss)	(17,774)	(43,443)	(7,689)	(4,986)	(10,726)	(543)	(44,118)	(50,007)	15,638	16,521	(64,669)	(82,458)
Result of companies accounted for using the equity method	0	0	4,672	3,755	(97)	109	(6)	258	250	38	4,819	4,160
Loss from other investments	0	0	0	(47)	(1,163)	(801)	0	0	0	551	(1,163)	(297)
Profit before tax from continuing operations	92,419	55,139	25,398	26,924	(26,090)	5,825	(87,411)	(41,258)	40,416	(25,648)	44,732	20,982
Income tax	(37,793)	(42,022)	(11,466)	(9,408)	(2,830)	(5,050)	1,119	(21,595)	(1,007)	(17)	(51,977)	(78,092)
Profit from continuing operations	54,626	13,117	13,932	17,516	(28,920)	775	(86,292)	(62,853)	39,409	(25,665)	(7,245)	(57,110)
Profit after tax from discontinued operations	0	0	0	0	0	51	(68,502)	19,453	0	(51)	(68,502)	19,453
Consolidated profit for the year	54,626	13,117	13,932	17,516	(28,920)	826	(154,794)	(43,400)	39,409	(25,716)	(75,747)	(37,657)
Non-controlling interests	(94)	(371)	(2,123)	(1,931)	(516)	(878)	(125)	1,044	(24,310)	(28,066)	(27,168)	(30,202)
Profit attributable to the Parent	54,532	12,746	11,809	15,585	(29,436)	(52)	(154,919)	(42,356)	15,099	(53,782)	(102,915)	(67,859)

Consolidated financial statements for 2017

	EDUCATION		RADIO		PRESS		OTHERS		ELIMINATIONS AND ADJUSTMENTS		PRISA GROUP	
	12.31.2017	12.31.2016	12.31.2017	12.31.2016	12.31.2017	12.31.2016	12.31.2017	12.31.2016	12.31.2017	12.31.2016	12.31.2017	12.31.2016
BALANCE SHEET												
Assets	544,053	570,821	390,803	413,398	199,476	155,153	2,880,173	3,356,275	(2,091,426)	(2,369,216)	1,923,079	2,126,431
- Non-current (except accounted for using the equity method)	202,350	226,243	216,968	232,649	57,352	73,590	1,762,626	2,708,063	(1,519,850)	(2,003,536)	719,446	1,237,009
- Investments accounted for using the equity method	0	0	40,126	39,738	(158)	(17)	0	0	(2,721)	(3,031)	37,247	36,690
- Current	341,703	344,578	133,709	141,011	142,282	81,580	643,375	648,212	(568,855)	(362,649)	692,214	852,732
- Assets classified as held for sale	0	0	0	0	0	0	474,172	0	0	0	474,172	0
Equity and liabilities	544,053	570,821	390,803	413,398	199,476	155,153	2,880,173	3,356,275	(2,091,426)	(2,369,216)	1,923,079	2,126,431
- Equity	105,347	82,391	238,937	246,654	34,085	57,893	537,263	1,150,273	(1,401,542)	(1,873,256)	(485,910)	(336,045)
- Non-current	166,855	196,128	51,898	55,241	4,618	8,978	758,462	1,782,100	(118,698)	(133,322)	863,135	1,909,125
- Current	271,851	292,302	99,968	111,503	160,773	88,282	1,425,372	423,902	(571,186)	(362,638)	1,386,778	553,351
- Liabilities classified as held for sale	0	0	0	0	0	0	159,076	0	0	0	159,076	0

The next table breaks down the cash flow statement for the continuing operations by segment in 2017 (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	99,415	(47,837)	(28,489)	(5,201)	17,888
Radio	25,339	(5,697)	(6,742)	(1,630)	11,270
Press	(10,065)	(3,272)	(1,037)	69	(14,305)
Others	(9,344)	(17,160)	(31,654)	(317)	(58,475)
Total	105,345	(73,966)	(67,922)	(7,079)	(43,622)

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)
Others	(14,707)	94,722	(153,391)	97	(73,279)
Total	152,166	22,174	(258,728)	222	(84,166)

The next table breaks down the cash flow statement for the discontinuing operations (generated by Media Capital) in 2016 and 2017 (in thousands of euros):

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Change in cash flows in the year
2017	26,951	(4,318)	(8,225)	14,408
2016	40,174	(4,592)	(23,994)	11,588

The detail of capex for the continuing operations in 2017 and 2016 by business segment is as follows (in thousands of euros):

	2017			2016		
	Property, plant and equipment	Intangible assets	Total	Property, plant and equipment	Intangible assets	Total
Education	14,554	38,440	52,994	10,738	42,560	53,298
Radio	3,416	1,931	5,347	4,244	2,193	6,437
Press	706	2,647	3,353	2,020	3,293	5,313
Other	164	1,532	1,696	279	464	743
Total	18,840	44,550	63,390	17,281	48,510	65,791

The table below shows a breakdown of the investments of discontinued operations, i.e. by Media Capital in 2017 and 2016 with property, plant and equipment and intangible assets (in thousands of euros):

	2017	2016
Property, plant and equipment	3,745	5,850
Intangible assets	295	461
Total	4,040	6,311

The Group's activities are located in Europe and America. Operations in Europe are carried out mainly in Spain. 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	
	2017	2016	2017	2016	2017	2016
Europe	514,377	552,158	16,783	16,297	(64,058)	(67,783)
Spain	510,644	547,392	16,718	16,235	(62,189)	(66,960)
Rest of Europe	3,733	4,766	65	62	(1,869)	(823)
America	630,454	604,964	9,091	11,063	108,790	88,765
Colombia	95,504	95,187	2,793	1,956	11,676	14,407
Brazil	201,339	170,027	1,368	1,742	36,089	19,239
Mexico	86,286	80,086	697	653	7,068	8,631
Chile	50,566	49,262	498	2,219	10,013	9,648
Rest of America	196,759	210,402	3,735	4,493	43,944	36,840
TOTAL	1,144,831	1,157,122	25,874	27,360	44,732	20,982

	Thousands of euros			
	Non-current assets (*)		Total assets	
	2017	2016	2017	2016
Europe	132,727	600,277	1,285,581	1,466,592
Spain	132,156	157,544	717,504	896,304
Rest of Europe	571	442,733	568,077	570,288
America	265,559	285,877	637,498	659,839
Colombia	26,523	28,641	76,703	87,183
Brazil	90,018	103,483	222,267	213,020
Mexico	49,261	47,370	91,077	91,172
Chile	70,152	73,917	116,441	118,908
Rest of America	29,605	32,466	131,010	149,556
TOTAL	398,286	886,154	1,923,079	2,126,431

(*) Include property, plant and equipment, goodwill, intangible assets, investments accounted for using the equity method and other non-current assets.

19) 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 Annexe 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 that 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 financial year 2017, 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 Corporate Income Tax for financial years 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 the accounting profit to the taxable profit

The following table shows a 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 2017 and 2016.

	Income statement	
	2017	2016
CONSOLIDATED NET PROFIT UNDER IFRS BEFORE TAX FROM DISCONTINUED OPERATIONS	44,732	20,982
Tax charge at 25%*	11,183	5,246
Consolidation adjustments	(13,314)	(5,053)
Temporary differences	13,358	19,604
Permanent differences (1)	19,478	24,537
Tax loss carry forwards	(470)	(730)
Tax credits and tax relief (2)	(1,123)	(1,965)
Effect of applying different tax rates (3)	6,523	6,802
Current income tax expense	35,635	48,441
Deferred tax expense for temporary differences	(13,358)	(19,570)
Previous income tax for 2017	22,277	28,871
Adjustment of prior years' tax (4)	21,830	40,552
Foreign tax expense (5)	3,753	6,575
Employee profit sharing and other expense concepts (6)	1,900	2,341
Adjustments to consolidated tax	2,216	(247)
TOTAL INCOME TAX	51,976	78,092

* 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) non-deductible expenses, (iii) 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 2017, arising from the merger of the companies Promotora de Informaciones, S.A. and Prisa Televisión, S.A.U. (absorption merger described in Note 17 of the Report of Promotora de Informaciones, S.A. 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) 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 generated an additional tax expense of EUR 9,613 thousand), (vi) 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, and (vii) part of the loss derived from the agreement signed between Prisa and Altice NV for the sale of the share in Vertex, as well as the different accounting and tax recording criteria of certain expenses associated with said loss.

(2) The Spanish Prisa reporting Group companies have generated international double taxation deductions.

(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 tax credits of the tax consolidation group.

(5) This relates to the expense for taxes paid abroad, which 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, Peru and Ecuador.

b) Deferred tax assets and liabilities
2017-

The following table shows the origin and amount of the deferred tax assets and liabilities recognized at year-end 2017 (in thousands of euros):

DEFERRED TAX ASSETS ARISING FROM:	12.31.2016	Transfers	Additions	Disposals	12.31.2017
Advance tax notices	3,488	-	-	(3,488)	-
Non-deductible expenses	140,592	-	5,007	(1,061)	144,538
Non-deductible provisions and amortization	19,772	1,431	3,249	(1,756)	22,696
Unused tax credit recognized	75,676	-	2,981	(1,924)	76,733
Tax loss carry forwards	101,126	225	2,541	(26,036)	77,856
Other	12,999	(4,033)	2,206	(149)	11,023
Total	353,653	(2,377)	15,984	(34,414)	332,846

DEFERRED TAX LIABILITIES ARISING FROM:	12.31.2016	Transfers	Additions	Disposals	12.31.2017
Impairment losses on equity investments and goodwill	2,280	-	-	(1,225)	1,055
Deferral for reinvestment of extraordinary income	2,560	-	-	(379)	2,181
Accelerated amortization	1,563	-	-	(1,049)	514
Different accounting and tax recognition criteria for income and expenses	2,391	2,277	6,575	(1,679)	9,564
Other	12,261	(1,879)	517	(312)	10,587
Total	21,055	398	7,092	(4,644)	23,901

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 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

The tax assets and liabilities on the consolidated balance sheet at year-end 2017 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.

The majority of the balance of deferred tax assets corresponds to (i) tax credits arising from tax loss carryforwards, (ii) deductions to the Spanish Corporate Income Tax amount due to double taxation and investments, and (iii) tax credits derived from the limitation in deductibility of financial expenses mainly from Prisa's 2/91 tax consolidation group.

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	2017			2016		
	Amount	Recognized	Not Recognized	Amount	Recognized	Not Recognized
1998	13,357	-	13,357	11,779	-	11,779
1999	73,977	-	73,977	73,928	-	73,928
2000	64,017	-	64,017	63,499	-	63,499
2001	57,007	-	57,007	56,262	-	56,262
2002	84,047	39	84,008	83,983	39	83,944
2003	45,554	110	45,444	46,319	110	46,209
2004	61,661	255	61,406	63,360	255	63,105
2005	4,473	267	4,206	5,433	267	5,166
2006	3,138	244	2,894	5,108	244	4,864
2007	4,858	-	4,858	5,027	-	5,027
2008	8,386	145	8,241	12,026	146	11,880
2009	2,399	-	2,399	8,369	-	8,369
2010	23	-	23	1,676	-	1,676
2011	112,388	109,210	3,178	195,065	110,257	84,808
2012	245,619	143,007	102,612	323,846	229,567	94,279
2013	58,070	24,935	33,135	58,849	26,131	32,718
2014	317	46	271	317	-	317
2015	554,487	-	554,487	554,487	-	554,487
2016	87	-	87	70	-	70
2017	152,153	3,156	148,997	-	-	-
Total	1,546,018	281,414	1,264,604	1,569,401	367,016	1,202,387

The breakdown by country of the tax loss carryforwards of the Group's foreign companies is shown below, in thousands of euros:

2017-

Year Incurred	USA	MEXICO	BRASIL	CHILE	ARGENTINA	COLOMBIA	PERU	PUERTO RICO	PORTUGAL	TOTAL
1999	927									927
2000	4,248									4,248
2001	3,571									3,571
2002	2,069									2,069
2003	3,191									3,191
2004	3,434									3,434
2005	3,364			337						3,701
2006	7,952			1						7,953
2007	5,879		179	21						6,079
2008	4,586	600	175	28						5,389
2009	5,809	429	83	210						6,531
2010	5,552	34	66	890	77					6,619
2011	7,545	440	112	863						8,960
2012	4,759	783	2,318	1,259	419	1,091				10,629
2013	5,799	400	9,304	1,414	923				624	18,464
2014	6,372	361	4,542	1,145	1,640	550		1,112		15,722
2015	3,307	879	1,061	666	2,265		649	403		9,230
2016	2,063	3,743	1,625	985	1,454	409	722	867	528	12,396
2017	1,100	1,091	1,548	1,537	410			27	683	6,396
TOTAL	81,527	8,760	21,013	9,356	7,188	2,050	1,371	2,409	1,835	135,509
RECOGNIZED		4,092	9,651	7,872	1,346	1,624		2,409		24,585
NOT RECOGNIZED	81,527	4,668	11,362	1,484	5,842	426	1,371		1,835	110,924
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	

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	

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 and estimated future cash flows obtained from the remaining companies that are not members of the consolidated tax Group.

The companies' plans are based on the development of the Group's strategy in the long term and a series of macroeconomic and 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 take into account growth in the advertising sector in line with the latest studies available and the leadership position in the different businesses where the Group 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. Furthermore, reductions in costs are expected as a consequence of the adjustment plans being implemented in recent years.

Santillana anticipates revenue increases resulting from the renewal of educational content, 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.

The results for the recurrent operations in Latin America of Santillana and Radio, in addition to operational plans to sell non-strategic assets, will help generate future flows within the tax plan, in line with growth expectations foreseen for the countries in which the Group is present.

Once the relevant recoverability analyses were carried out for the accounting group, in accordance with the criteria established by accounting regulations, procedures were taken to derecognize, for accounting purposes, the credits corresponding to deductions for investments for a total amount of EUR 1,764 thousand, for the non-deductible nature of financial expenses for an amount of EUR 4,192 thousand and to negative tax bases amounting to EUR 22,727 thousand, generating an additional tax expense. These reductions derive mainly from the measures approved by Royal Decree-Law 3/2016, of 2 December, which introduced a new limitation both on the compensation of negative tax bases and on the application in the tax rate of double taxation deductions. Following the same tax reform, the Group has recognised an additional tax expense of EUR 9,613 thousand as a result of the minimum five-year integration of the reversal of impairment losses on the equity instruments of companies that were tax deductible.

The main net additions for deferred tax assets in the financial year correspond to the non-deductible nature of financial expenses, amounting to EUR 3,946 thousand, and the net withdrawals mainly correspond to the impairment in the financial year of tax credits arising tax loss carryforwards, amounting to EUR 23,270 thousand.

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 31 December 2017.

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 company 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 settlement of EUR 8,570 thousand arose (tax plus interest). The tax liability arising from this Notice was satisfied, and was recognised as a credit vis-à-vis the Revenue Authorities. In previous years, the Tax Administration executed the judgement that was partially upheld by the TEAC and proceeded to return to the Company EUR 7,441 thousand, and the Company provided for the remaining amount, which was offset against the aforementioned credit. In the financial year 2017, Prisa received notice of a judgement delivered by the Supreme Court dismissing the case, which is final and binding. The adjustments for these items were provisioned by the Company in prior years.

In 2006, the inspections of financial years 1999, 2000, 2001 and 2002 corresponding to Corporate Income Tax Group 2/91, of which the Company is a dominant company, 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 upheld judgements of the Supreme Court, relating to the years 1999 and 2000 and of the writ of inadmissibility for 2001. In 2017, Prisa was notified of dismissed judgements of the National Court of Spain corresponding to the procedures referring to settlements derived from the execution of the notices related to Corporate Income Tax for financial years 1999, 2000 and 2001, which are final. The adjustments for these items were provisioned by the Company in prior years.

In financial year 2010, the audits for the consolidated Corporate Income Tax corresponding to financial years 2003, 2004 and 2005 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 economic-administrative claims and the relevant judicial appeals. In financial year 2016, the Company received a partially upheld judgement that has become final. In financial year 2017, the Tax Authority executed the decision of the National Court of Spain mentioned above, which has led to the Company receiving a refund of EUR 6,874 thousand, with generated an income from corporation tax of EUR 2,814 thousand and the rest of the amount has been recorded in the income statement according to the nature of the regularized concept.

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 corresponding appeals and claims. In financial year 2016, the Company received a final judgement of dismissal from the Supreme Court and its effects were recorded in the accounts for financial year 2016. The tax liability derived from these Notices was settled in the year and recognized as a long-term tax credit, which was removed in financial year 2016 as its effect was registered in the accounts. In financial year 2017, the Tax Authority executed the ruling mentioned above, which has generated a refund in favour of the Company of EUR 367 thousand. The adjustments for these items were provisioned by the Company in prior years.

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 Notice signed on a contested basis for 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. In 2017, a resolution was received from the TEAC partially upholding Prisa's claim, against which the corresponding administrative appeal has now been filed before the National Court of Spain. 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 financial year 2008 concluded with the issuance of a Notice for the amount of EUR 219 thousand, which was paid by the Sociedad Española de Radiodifusión, S.L. However, the Company submitted the corresponding economic-administrative appeal to the TEAC, and then filed a contentious-administrative appeal with the National Court of Spain, which is currently pending resolution. No additional equity impact will be derived from these actions.

With regard 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, and both have been the subject of economic-administrative appeals before the TEAC. In financial year 2017, a judgement was received from the TEAC partially upholding Prisa's claim, against which the corresponding administrative appeal has now been filed, which is currently pending resolution. The tax debt derived from these Notices was paid and recorded as a long-term payable to the tax authorities Treasury. The debt was derecognised in 2016 as its impact was fully reported in the accounts.

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 company, for that financial year, was the company 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), which entered the Group, were adjusted in an amount of EUR 10,167 thousand. The Company, having not maintained the inspection criteria, proceeded to present the corresponding economic-administrative appeal to the TEARM. Likewise, a consequence of this regularization saw a sanction of EUR 1,525 thousand imposed on the Company, against which the corresponding economic-administrative appeal was filed and which is pending resolution by the TEARM. In financial year 2017, a judgement partially upholding the decision of the TEARM in relation to the aforementioned inspections was received and the restart of the inspections has been communicated. On the date these annual accounts were formulated, a new Notice was issued and a proposal to impose a sanction in the same terms as the original terms was outlined. As a result of the dissolution of Dédalo Grupo Gráfico, S.L., the aforementioned tax audit will continue with the entity PrisaPrint, S.L., unique shareholder of this company.

In financial year 2016, the inspections related to VAT for the period May 2010 to December 2011 for the tax consolidation group 105/08, of which Promotora de Informaciones, S.A. is the parent Company, were concluded, with a Notice signed in agreement related to VAT, amounting to EUR 512 thousand, which was paid and recorded in financial year 2016, and another Notice signed on a contested basis for EUR 7,785 thousand, which, despite being the subject of appeal, was also paid and recorded as credit in the form of an advance payment, which was deregistered in financial year 2016 when its impact was recorded in the profit and loss account.

Likewise, the inspections regarding Corporate Income Tax corresponding to financial years 2009-2011 in tax consolidation group 2/91, of which Promotora de Informaciones, S.A. is the parent company, and tax consolidation group 194/09, of which Prisa Radio, S.A. was the parent company, were concluded in 2016, resulting in, for Promotora de Informaciones, S.A., a Notice signed on a contested basis without an amount to be paid and whose impact, in accounting terms, generated a record of net income due to Corporate Income Tax for an amount of EUR 4,779 thousand, and for the companies comprising the tax consolidation group of Prisa Radio, S.A. another Notice signed on a contested basis, which generated a record of a net expense due to Corporate Income Tax for an amount of EUR 208 thousand, which has been paid. The Company filed the corresponding economic-administrative appeal with the TEAC disagreeing with these Notices, and this is pending resolution.

The provision for taxes (*see note 13*) an amount of EUR 16,813 thousand to cover, mainly, the impact of potential unfavourable rulings upheld during the various tax proceedings described above.

It is not expected that there will be accrued liabilities of consideration, in addition to those already registered, as a result of these procedures or of a future and possible inspection.

20) ALLOCATION OF RESULTS

The proposal for the allocation of the loss of Promotora de Informaciones, S.A. for 2017 is as follows (in thousands of euros):

	Amount
Basis of appropriation	
Loss for the year	(131,598)
Distribution-	
Prior year losses	(131,598)

21) 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 2017 and 2016 were the following:

	Thousands of euros	
	12/31/2017	12/31/2016
Profit/(loss) for the year from continuing operations attributable to the Parent	(34,413)	(87,312)
Profit/(loss) after tax from discontinued operations attributable to the Parent	(68,502)	19,453
Profit/(loss) for the year attributable to the Parent	(102,915)	(67,859)
Weighted average number of ordinary shares outstanding (thousands of shares)	79,305	77,963
Basic earnings/(loss) per share of continuing operations (euros)	(0.43)	(1.12)
Basic earnings/(loss) per share of discontinued operations (euros)	(0.87)	0.25
Basic earnings/(loss) per share (euros)	(1.30)	(0.87)

In 2016, considering the same weighted average number of ordinary shares outstanding than in 2017, basic loss per share of continuing operations was EUR 1.10 and of the discontinuing operations was 0.25.

Weighted average number of ordinary shares outstanding in 2017 and 2016:

	Thousands of shares	
	2017	2016
Ordinary shares at December 31	78,336	78,336
Share capital increases	1,265	-
Weighted average of treasury shares	(296)	(373)
Weighted average number of ordinary shares outstanding for basic earnings per share	79,305	77,963

22) RELATED PARTY TRANSACTIONS

The detail of the balances receivable from and payable to associates and related parties in 2017 and 2016 is as follows:

	12/31/2017		12/31/2016	
	Group employees, companies or entities	Significant shareholders	Group employees, companies or entities	Significant shareholders
Trade receivables	3,498	2,220	2,618	6,425
Receivables- loans	10,401	-	13,482	-
Total receivables	13,899	2,220	16,100	6,425
Trade payables	1,380	4,306	1,609	4,354
Payables- loans	5	636,675	28	533,123
Total payables	1,385	640,981	1,637	537,478

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 6,351 thousand and the loans granted by Sociedad Española de Radiodifusión S.L. to Green Emerald Business Inc in the amount of EUR 2,078 thousand.

Balance with significant shareholders-

The aggregate amount of EUR 2,220 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 640,981 thousand is mainly accounted the loans granted to Prisa Group companies by:

- Banco Santander, S.A. amounting to EUR 47,896 thousand (EUR 18,668 thousand at December 31, 2016).
- Caixabank, S.A. amounting to EUR 130,180 thousand (EUR 57,849 thousand at December 31, 2016).
- HSBC Holding, PLC amounting to EUR 458,599 thousand (EUR 456,606 thousand at December 31, 2016).

The transactions performed with related parties in 2017 and 2016 were as follows (in thousands of euros):

	12/31/2017			12/31/2016		
	Directors and executives	Group employees, companies or entities	Significant shareholders	Directors and executives	Group employees, companies or entities	Significant shareholders
Services received	190	458	8,667	90	543	7,731
Finance expenses	-	4,487	17,498	-	1,248	15,671
Leases	-	628	2,189	-	946	3,244
Other expenses	14,569	220	1,575	8,743	152	917
Total expenses	14,759	5,793	29,929	8,833	2,889	27,563
Finance income	-	646	1	-	1,060	37
Dividends received	-	2,024	-	-	4,551	-
Provision of services	-	2,739	5,861	-	2,322	6,887
Leases	-	86	30	-	-	-
Other income	-	40	193	-	-	931
Total revenues	-	5,535	6,085	-	7,933	7,855

All related party transactions have taken place under market conditions.

Transactions between with Directors and executives -

The aggregate amount of EUR 14,569 thousand relates to the accrued salaries of directors for an amount of EUR 9,504 thousand (*see note 23*) and executives for an amount of EUR 5,065 thousand.

Senior management compensation

The total aggregate compensation of members of senior management and the Internal Audit Manager (the "Management") in 2017, of Promotora de Informaciones, S.A. and other companies in the Group amounts to EUR 5,065 thousand (EUR 3,516 thousand in 2016).

This compensation is the accounting reflection of the overall compensation of managers and therefore do not match with the remuneration accrued in 2017 that will be included in the Annual Report of Corporate Governance 2017 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 on December 31, 2017, that being understood to be the members of the Business Management Committee that were not executive directors and had an employment relationship with Prisa and other companies in the Group and, furthermore, the internal audit manager of Prisa. Specifically, it is that of the following managers: Mr. Guillermo de Juanes Montmeterme, Mr. Xavier Pujol Tobeña, Ms. Bárbara Manrique de Lara, Mr. Miguel Angel

Cayuela Sebastián, Mr. Andrés Cardó Soria, Mr. Ignacio Soto Pérez, Ms. Rosa Cullel and Ms. Virginia Fernández.

It has been included the remuneration of Mr. Guillermo de Juanes Montmerte and Mr. Xavier Pujol Tobeña from their appointment as CFO and General Secretary, respectively, in July 2017.

Within the total remuneration of the managers, it has been also included the following:

- The remuneration of Mr. Fernando Martínez Albacete, Mr. Antonio García-Mon and Ms. Noelia Fernández Arroyo until their resignation as CFO, General Secretary and Managing Director of Business Development and Digital Transformation, respectively, in 2017.
- The remuneration of Mr. Manuel Mirat Santiago for his responsibilities as CEO of Prisa Noticias for the period between January 1 and June 30, 2017, date in which he was appointed executive director of Prisa. The remuneration corresponding to Mr. Mirat since that date is included in the remuneration of the members of the Board of Directors of Prisa.

The total aggregate remuneration of the managers includes, inter alia:

- Annual variable compensation (bonus): 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 2017, 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 2016 bonus paid in March 2017, in an amount of EUR 256 thousand.
- Adjustment for payment of the long-term incentive (LTI) for the period 2014 to 2016 to certain directors, approved by the Ordinary Shareholders' Meeting on April 28, 2014 and totaling EUR 198 thousand.
- Post-contractual non-competition agreement and compensation for termination of the contracts of some members of senior management.

Transactions between Group employees, companies or entities-

The aggregate amount of EUR 5,793 thousand mainly consists of expenditure on leasing radio frequencies with investee companies, the financial cost impairment of the loan granted to Le Monde and the financial cost for negative exchange rate differences generated by loans granted to associates.

The amount of EUR 2,024 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 2,739 thousand mainly consists of income received by Radio España for technical assistance and advice services, income from advertising services to associates and income received from the sale of copies to Kioskoymás, Sociedad Gestora de Plataforma Tecnológica, S.L.

Transactions between with significant shareholders -

The aggregate amount of EUR 29,929 thousand mainly consists of expenditure on telephony and Internet by Prisa Group companies with Telefónica, S.A., and interest accruing on credits granted by major shareholders to Prisa Group companies.

The aggregate amount of EUR 6,085 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 detail of other transactions performed with related parties in 2017 and 2016 is as follows (in thousands of euros):

	12/31/2017		12/31/2016		
	Significant shareholders	Group employees, companies or entities	Significant shareholders	Group employees, companies or entities	Other related parties
Financing agreements: loans granted	-	130	-	253	-
Financing agreements: loans received	-	-	6,000	-	-
Commitments/Guarantees cancelled	250	-	-	-	-
Other transactions	2,222	-	102,692	-	1,000

Other transactions with significant shareholders-

The amount of EUR 2,222 thousand corresponds to the interest accrued in 2017 for the issuance of the bond that is mandatorily convertible into shares (see note 8).

23) REMUNERATION AND OTHER BENEFITS OF DIRECTORS

In 2017 and 2016, the companies of the Group registered the following amounts in respect of remuneration to Group's Board members:

	Thousands of euros	
	12/31/2017	12/31/2016
Fixed remuneration	2,247	2,210
Variable remuneration	1,993	978
Attendance fees	683	515
Bylaw-stipulated directors' emoluments	1,460	1,444
Other	3,121	80
Total	9,504	5,227

Regarding the 2017 financial year:

i) On a preliminary note:

- Juan Luis Cebrián stood down as the Company's executive chairman on January 1, 2018. On acceptance of his resignation, the Board of Directors agreed to acknowledge his entitlement to the following remuneration: (i) a retirement or pension plan allowance equivalent to EUR 6,000 thousand ("Retirement Allowance"); and (ii) EUR 1,000 thousand for the 2017 variable incentive. These two amounts were paid to Mr. Cebrián in January 2018.
- On January 1, 2018, Mr. Manuel Polanco Moreno stood down as deputy executive chairman and was appointed non-executive chairman of Prisa. The Board approved this appointment, acknowledging Mr. Polanco's entitlement to compensation due to the termination of the service-level agreement with the Company, equivalent to fifteen months of his last fixed and variable remuneration and totalling EUR 905 thousand, as well as the annual variable pay for 2017 of EUR 264 thousand.

ii) The overall compensation of the Board of Directors includes the remuneration of the directors who ceased during 2017: Ms Blanca Hernández, Mr Glen Moreno, Mr Ernesto Zedillo Ponce de León, Mr Alfonso Ruiz de Assin Chico de Guzman, Mr Alain Minc, Ms Elena Pisonero, Mr José Luis Leal Maldonado and Mr Gregorio Marañón Bertrán de Lis.

It also includes the remuneration of Mr. José Luis Sainz Díaz, who ceased as Director and CEO, effective September 4, 2017.

iii) In addition, the overall remuneration of the Board of Directors includes that of the current CEO, Mr. Manuel Mirat Santiago, as of his appointment as a Prisa director on June 30, 2017. Mr. Mirat is CEO of PRISA from September 4, 2017. Therefore, in relation to the remuneration of Mr. Mirat the following notes are made:

- His remuneration from July 1, 2017 to September 3, 2017, corresponds to his duties as CEO of Prisa Noticias.
- His remuneration since September 4, 2017 corresponds to his duties as CEO of Prisa.
- His remuneration prior to July 1, 2017, that is, for his responsibilities as CEO of Prisa Noticias, is included in the remuneration of senior management.

iv) The aggregated remuneration of Prisa directors reflected in the table above corresponds to the accounting provisions made in the income statement of Prisa and other companies of its Group and consequently it corresponds to the accounting provisions registered in the profit and loss account.

Therefore the compensation included in the table above, do not match, in some respects, with the remuneration that will be included in the Annual Remuneration Report of the Directors 2017 (IR) and in the Annual Report on Corporate Governance 2017 (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.

v) Items included in the variable remuneration of directors in the above table (whose amounts in some cases differ from those that will be declared in the IR and in the IAGC), are the following:

- Annual variable compensation (bonus): theoretical annual variable compensation of the director Mr Manuel Mirat if management objectives are achieved. However, since this compensation is subject to achievement of the management objectives at the end of the year 2017, 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.
- Expense recognised in the income statement of EUR 1,000 thousand, EUR 264 thousand and EUR 750 thousand for the variable pay in 2017 of Mr. Juan Luis Cebrián, Mr. Manuel Polanco and Mr. Jose Luis Sainz, respectively (see point i) above).
- Regularization of 2016 bonus paid in June 2017, in the negative amount of EUR 131 thousand.
- In 2017 no provision was recorded for the variable multi-year incentive of the previous Chairman, Mr. Juan Luis Cebrián Echarri, for the 2016/2017 period, since such remuneration had not been recognized upon termination of his contract. The accounting provisions for this concept in 2016 amounting to EUR 500 thousand and in the first half of 2017 amounting to approximately EUR 200 thousand have been derecognised.

vi) "Others" includes the following items:

- The compensation for severing the contractual relationship with the CEO José Luis Sainz of EUR 1,875 thousand - the result of applying the termination by mutual accord clause in Mr. Sainz's contract (15 months of his fixed and variable remuneration and the last bonus accrued), as well as EUR 188 thousand in connection with the post-contractual non-compete clause in his contract with the Company.
- The expense recognised in the income statement for the compensation payable to Mr. Manuel Polanco of EUR 905 thousand. The Board Remuneration Report does not include this item in the remuneration accrued in 2017.

vii) Regarding Mr. Cebrián's "Retirement Allowance", the sum of EUR 6,000 thousand is not included in the table above because a provision was already recognised in 2014 covering the full amount.

viii) Also under "Other" are not included EUR 90 thousand and EUR 100 thousand that correspond to the ex-director Mr. Gregorio Marañón y Bertran de Lis (for the rendering of legal services) and the director Mr. Dominique D'Hinin (for advising the Chairman and the

CEO on the Company's Refinancing Plan), respectively, but these amounts are included in the tables of section D of the Annual Report on Remuneration of Directors.

Information about these transactions is included in note 22 "Related party transactions" of this report.

ix) No other credits, advances or loans occurred, nor were pension obligations incurred, in respect of the Board of Directors during 2017.

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 2017, the Board of Directors had not been advised of direct or indirect conflict situations that directors or people 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 people 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.		
Manuel Polanco Moreno	Joint and Several Director of Canal Club de Distribución de Ocio y Cultura, S.A.		
Joseph Oughourlian	<i>See note below (*)</i>		
John Paton	Director of Guardian Media Group. Chairman of IVA Ventures LLC. Ventures is an advisor to Cxense, a public company based in Norway specializing in data analysis. PRISA is a client of Cxense.		
Shk. Dr. Khalid Thani Abdullah Al-Thani	Vice Chairman de Dar Al Sharq Printing Publishing & Distribution Co. Vice Chairman de Dar Al Arab Publishing & Distribution Co.		
Dominique D'Hinnin	0.1% interest in the share capital of Lagardère SCA.		
Javier Monzón de Cáceres		Spouse	His spouse is manager and held a shareholding of 75% of the share capital of the company Derecho y Revés, S.L., with publishing activity.

(*) 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, as of December 31, 2017 the following Directors of Promotora de Informaciones, S.A. were members of management bodies of certain companies in the Prisa Group: Juan Luis Cebrián Echarri, Manuel Polanco Moreno, Manuel Mirat Santiago and John Paton.

24) GUARANTEE COMMITMENTS TO THIRD PARTIES

At December 31, 2017, the companies of Grupo Prisa had furnished bank guarantees amounting to EUR 62,540 thousand. For this amount, EUR 50,000 thousand correspond to the litigation for football rights of Audiovisual Sport, S.L. (*see note 26*).

The Company’s directors do not consider that significant impacts in the income statement of the Group will arise from the guarantees provided.

25) 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.

On November 27, 2017, they were signed with Indra Sistemas, S.A. various service contracts with a duration of 5 years assuming commitments amounting to EUR 46,932 thousand. These contracts replace the agreement signed with Indra in December 2009 and that ended on December 31, 2017.

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 35,468 thousands and EUR 2,963 thousands, respectively in the accompanying consolidated balance sheet at December 31, 2017 (EUR 37,984 thousands and EUR 2,469 thousands, respectively at December 31, 2016).

At December 31, 2017, the Group had euro and foreign currency payment obligations and collection rights for a net amount payable of approximately EUR 98,080 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
2018	24,656
2019	46,682
2020	10,418
2021	8,642
2022	7,642
2023 and subsequent years	40
	98,080

Of the total amount of future commitments, EUR 10,044 thousand was accounted for by Media Capital Group.

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 January 29, 2016, in relation to the average period of payment to suppliers in commercial operations, is as follows:

	12/31/2017	12/31/2016
	Days	
Average period of payment to suppliers	81	82
Ratio of settled transactions	80	80
Ratio of transactions pending payment	85	101
	Amount (thousands of euros)	
Total payments made	348,271	364,428
Total pending payments	49,383	49,925

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 settlement at the end of each year 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 2017 and 2016 under Law 3/2004, of 29 December, for combating late payment in commercial transactions, is by default 30 days, and 60 days maximum if particular conditions are met with suppliers. 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.

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.

26) ONGOING LITIGATIONS AND CLAIMS

A) Audiovisual Sports

(i) Mediapro vs. AVS (Damages from the injunctive relief)

On July 24, 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.

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 50,000 thousand 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.

On March 15, 2010, the Court of First Instance No. 36 of Madrid gave a judgment estimating the demand of AVS, condemning Mediapro to deliver the audiovisual rights of the clubs - belonging to AVS-, and also to pay the sum of EUR 104,993 thousand. After different judgments, which were appealed by both parties in the framework of this proceeding, on January 9, 2015, the Supreme Court of Spain (*Tribunal Supremo*) issued a judgment declaring the agreement of July 24, 2006 null and void.

As a consequence of such Supreme Court judgement, on September 14, 2015 Mediapro requested that the suspension be lifted and that the proceeding in relation to the interim measures of October 8, 2007 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 appraiser 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. Appraiser quantified the damages in an amount of EUR 65,096 thousand. On December 5, 2017, Madrid Court gave a ruling rejecting Mediapro's claim and fully accepting AVS's objections. On February 2018, Mediapro filed an appeal against such ruling, which will be objected by AVS at the appropriate procedural time. As a guarantee in that proceeding, the AVS's EUR 50,000 thousands security remains in deposit at the Court.

(ii) AVS vs. Mediapro (Unjust enrichment)

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* defense as its principal procedural position and presenting an expert opinion to counter the conclusions of the expert opinion presented by AVS, and Barcelona Court of First Instance No. 37 scheduled the previous hearing for January 29, 2017, and the trial took place on June 7, 2017. On July 3, the judgment of the Court of First Instance No. 37 of Barcelona notified its judgment to the parties, which rejected AVS's claim, making application of the *res judicata* effect to the rest of the 2007/08 season and the entire 2008/09 season, and not entering to assess the economic impact of the use of third-party audiovisual rights. AVS has filed an appeal before the Provincial Court of Barcelona (*Audiencia Provincial*) requesting the

revocation of this judgement and the full acceptance of its claim. This appeal is still pending resolution.

(iii) Mediapro vs. AVS (Damages from Mediapro's insolvency)

On the other hand, a complaint was filed on May 12, 2016 at the Civil Trial Court in Colmenar Viejo in which Mediapro and Imagina Media Audiovisual (the "Plaintiffs") have petitioned the court to find AVS and DTS Distribuidora de Televisión Digital, S.A. ("DTS") -an company out of PRISA Group- 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 104,993 thousand 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. According to the Plaintiffs, the petition for execution of judgment, together with DTS's requirement undermined the basis on which the 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, the Plaintiffs consider that AVS and DTS intentionally provoked Mediapro's 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. The trial took place by two sessions on January 23 and February 5, 2018. On February 27, 2018 the Court notified its judgement - dated on February 22, 2018, which fully rejecting the Plaintiffs' claims and ordering the Plaintiffs' to pay the costs of the proceeding. This ruling is still subject to appeal.

The Group's Directors and internal and external legal advisors do not believe that resolution of these litigations will entail any relevant liabilities not registered by the Group.

B) Santillana

On October 5, 2017 the National Markets and Competition Commission ("CNMC") issued a resolution, initiating an administrative proceedings against Santillana Education, SL, within the framework of the administrative file initiated against the educational-book publisher's national association (ANELE). This proceeding is based in the CNMC's understanding that there are indications of two possible infractions to Article 1 of the Spanish Competition Act (*Ley de Defensa de la Competencia*) and to Article 101 Treaty on the Functioning of the European Union (TFEU):

- Agreements or concerted practices between the competing publishers for the sharing the Spanish non-university textbooks market and the setting of certain commercial conditions therein, as well as the exchange of sensitive commercial information in relation to the commercial offers that they make themselves and their direct competitors to the educational entities.
- Agreements or concerted practices between competing publishers with the objective of fixing prices and other commercial conditions related to certain publishers' products, the so-called digital textbook.

The Group's Directors and internal and external legal advisors believe that an agreed-resolution of the administrative proceedings is able. A liability and/or fine could arise from this proceedings, but determination of its amount is not possible at the moment.

In addition, the Group is involved in other litigations for smaller amounts. The Directors and internal and external advisors do not consider that any relevant liabilities will arise from such litigations.

27) EVENTS AFTER THE BALANCE SHEET DATE

As of January 16, 2018, the company had signed a framework agreement with most of its financial creditors, the Lock-up Agreement, which governs the basic terms and procedure to follow to refinance and modify the terms of Prisa's current financial debt. From that date and up to January 22, 2018, the remaining financial creditors signed up to the Lock-up Agreement, whereby on the date these consolidated financial statements were drafted, all financial creditors in the Override Agreement had signed said framework agreement.

The basic terms of the Refinancing agreed with all creditors contain the following main agreements:

- (i) Extension of the debt maturity date to November and December 2022.
- (ii) The payment schedule does not set out obligatory amortizations during the first three years from January 16, 2018 to December 2020, with a later repayment schedule adjusted to the expected cash generation of Prisa group businesses.
- (iii) The reallocation of debt currently recorded at Prisa to bring it closer to the education business taking advantage of its cash flow capacity.
- (iv) The partial modification of the package of debt guarantees.
- (v) The agreement sets out an initial repayment of EUR 450 million to be made out of funds from the capital increase approved by the Annual General Meeting held on November 15, 2017, to be made at the time the refinancing comes into effect.

The Lock-up Agreement sets out a limited number of termination situations that would enable creditors to dissolve their commitment to support the modifications proposed for the financing regulated in the Override Agreement, and that as of the date of these consolidated financial statements are: (i) the existence of a deadline to reach an agreement with the financial creditors on the new terms of the Override Agreement not expressly provided for in the Lock-up Agreement (June 30, 2018, although it could be extended by the majority of participants in the Lock -up Agreement); (ii) material incompliance by the company with its

obligations arising from the Lock-up Agreement; (iii) a relevant administrative or legal authority issues an order or resolution that impedes the execution of the agreed Refinancing, and (iv) the company possibly being put into administration.

The Directors of the company consider that none of the termination cases will occur.

In addition, on January 22, 2018 the Prisa Board of Directors unanimously approved a capital increase with preferential subscription rights for EUR 113.2 million.

Both the capital increase for EUR 113.2 million and the increase approved by the Annual General Meeting of Shareholders on November 15, 2017 for EUR 450 million had been fully subscribed and paid out in February 2018.

28) 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 2017	
				PERCENTAGE OF OWNERSHIP	TAX GROUP (*)
EDUCATION					
<i>Full Consolidation</i>					
Activa Educa, S.A. (Guatemala)	26 Avenida 2-20 zona 14 . Guatemala - Guatemala	Publishing	Grupo Pacifico, S.A. (Panamá)	98.85%	
			Santillana Educación, S.L.	1.15%	
Avalia Qualidade Educacional Ltda.	Rua Padre Adelino, 758. Belezinho. Sao Paulo. Brasil	Publishing	Santillana Educación, S.L.	100.00%	
			Itaca, S.L.	1 acción	
Distribuidora y Editora Richmond, S.A.	Edificio Punto 99, Carrera 11ª N°98-50 Oficina 501. Bogotá. Colombia	Publishing	Santillana Educación, S.L.	94.90%	
			Itaca, S.L.	4.80%	
			Edicions Voramar, S.A.	0.10%	
			Edicions Obradoiro, S.L.	0.10%	
			Ediciones Grazelema, S.L.	0.10%	
Ediciones Grazelema, S.L.	Rafael Beca Mateos, 3. Sevilla	Publishing	Santillana Educación, S.L.	99.98%	2/91
			Itaca, S.L.	0.02%	
Ediciones Santillana Inc.	1506 Roosevelt Avenue. Guaynabo. Puerto Rico	Publishing	Santillana Educación, S.L.	100.00%	
Ediciones Santillana, S.A. (Argentina)	Leandro N. Alem. 720. Buenos Aires. 1001. Argentina	Publishing	Santillana Educación, S.L.	95.00%	
			Itaca, S.L.	5.00%	
Ediciones Santillana, S.A. (Uruguay)	Juan Manuel Blanes 1132 Montevideo Uruguay	Publishing	Santillana Educación, S.L.	100.00%	
Edicions Obradoiro, S.L.	Ruela de Entrecercos. 2º B. 15705. Santiago de Compostela	Publishing	Santillana Educación, S.L.	99.99%	2/91
			Itaca, S.L.	0.01%	
Edicions Voramar, S.A.	Valencia, 44. 46210. Pincaya. Valencia	Publishing	Santillana Educación, S.L.	99.99%	2/91
			Itaca, S.L.	0.01%	
Editora Moderna Ltda.	Rua Padre Adelino, 758. Belezinho. Sao Paulo. Brasil	Publishing	Santillana Educación, S.L.	100%	
			Itaca, S.L.	1 acción	
Editora Pintangua, LTDA	Rua Urbano Santos, 755. Sala 4. Bairro Cumbica. Cidade de Guarulhos. Sao Paulo. Brasil	Publishing	Editora Moderna, Ltda.	100.00%	
			Itaca, S.L.	1 acción	
Editorial Nuevo México, S.A. de C.V.	Avenida Rio Mixcoac 274 Col Acacias. México DF. México	Publishing	Lanza, S.A. de C.V.	100.00%	
			Editorial Santillana, S.A. de C.V. (México)	1 acción	
Editorial Santillana, S.A. (Guatemala)	26 Avenida 2-20 zona 14 . Guatemala - Guatemala	Publishing	Santillana Educación, S.L.	99.99%	
			Itaca, S.L.	0.01%	
Editorial Santillana, S.A. (Honduras)	Colonia los Profesionales Boulevard Suyapa, Metropolis Torre 20501, Tegucigalpa Honduras	Publishing	Santillana Educación, S.L.	99.00%	
			Itaca, S.L.	1.00%	
Editorial Santillana, S.A. (Rep. Dominicana)	Juan Sánchez Ramírez, 9. Gazcue. Santo Domingo. República Dominicana	Publishing	Santillana Educación, S.L.	99.95%	
			Itaca, S.L.	0.008%	
			Edicions Voramar, S.A.	0.008%	
			Edicions Obradoiro, S.L.	0.008%	
			Ediciones Grazelema, S.L.	0.008%	
			Grup Promotor D'Ensenyament i Difussió en Catalá, S.L.	0.008%	
			Ediciones Santillana Inc. (Pto. Rico)	0.008%	
Editorial Santillana, S.A. (Venezuela)	Avenida Rómulo Gallegos. Edificio Zulia 1º. Caracas. Venezuela	Publishing	Santillana Educación, S.L.	100.00%	
Editorial Santillana, S.A. de C.V. (México)	Avenida Rio Mixcoac 274 Col Acacias. México DF. México	Publishing	Lanza, S.A. de C.V.	100.00%	
			Editorial Nuevo México, S.A. de C.V.	1 acción	
Editorial Santillana, S.A. de C.V. (El Salvador)	3a. Calle Poniente Y 87 Avenida Norte, No. 311, colonia Escalon San Salvador	Publishing	Santillana Educación, S.L.	99.95%	
			Itaca, S.L.	0.05%	
Editorial Santillana, S.A.S (Colombia)	Edificio Punto 99, Carrera 11ª N°98-50 Oficina 501. Bogotá. Colombia	Publishing	Santillana Educación, S.L.	94.90%	
			Itaca, S.L.	5.10%	
			Edicions Voramar, S.A.	0.00%	
			Edicions Obradoiro, S.L.	0.00%	
			Ediciones Grazelema, S.L.	0.00%	
Educa Inventia, Inc. (Puerto Rico)	1506 Roosevelt Avenue. Guaynabo. Puerto Rico	Publishing	Grupo Pacifico, S.A. (Panamá)	96.16%	
			Santillana Educación, S.L.	3.84%	
Educa Inventia, S.A. de C.V. (México)	Avenida Rio Mixcoac 274 Col Acacias. México DF. México	Publishing	Grupo Pacifico, S.A. (Panamá)	99.99%	
			Santillana Educación, S.L.	1 acción	
Educativa Ediciones, S.A.S. (Colombia)	Avenida El Dorado No. 90 - 10 Bogotá, Colombia	Publishing	Grupo Pacifico, S.A. (Panamá)	100.00%	
Educativa, S.A. (Chile)	Avenida Andrés Bello 2299 Oficina 1001 Providencia. Santiago Chile	Publishing	Grupo Pacifico, S.A. (Panamá)	93.52%	
			Santillana Educación, S.L.	6.48%	
Educativa, S.A.C. (Perú)	Av. Manuel Olguin Nro. 215 Int. 501/ Los Granados/ Santiago de Surco/ Lima, Perú	Publishing	Grupo Pacifico, S.A. (Panamá)	99.99%	
			Santillana Educación, S.L.	1 acción	
Educativa, S.A.S. (Colombia)	Avenida El Dorado No. 90 - 10 Bogotá, Colombia	Publishing	Grupo Pacifico, S.A. (Panamá)	87.12%	
			Santillana Educación, S.L.	12.88%	
Grupo Pacifico, S.A. (Panamá)	Urbanización Industrial Orillac, Vía Transistmica, Calle Segunda, Local No. 9, Rep. de Panamá.	Publishing	Santillana Educación, S.L.	100.00%	
Kapeluz Editora, S.A. (Argentina)	Leandro N. Alem. 720. Buenos Aires. 1001. Argentina	Publishing	Grupo Pacifico, S.A. (Panamá)	99.82%	
			Santillana Educación, S.L.	0.18%	

(*) Consolidated tax Group Promotora de Informaciones, S.A.: 2/91

COMPANY	REGISTERED OFFICE	LINE OF BUSINESS	COMPANY HOLDING THE OWNERSHIP INTEREST	December 2017	
				PERCENTAGE OF OWNERSHIP	TAX GROUP (*)
Grup Promotor D'Ensenyament i Difussió 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	Ítaca, S.L.	0.01%	
Inevery 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.	Prisa Participadas, S.L.	75.00%	2/91
Ítaca, S.L.	Av. de los Artesanos, 6 Tres Cantos. Madrid	Book distribution.	Grupo Santillana Educación Global, S.L.	100.00%	2/91
Lanza, S.A. de C.V.	Avenida Río Mixcoac 274 Col Acacias. México DF. México	Creation, development and management of companies.	Ítaca, S.L.	0.00%	
Pleno Internacional, SPA	Avenida Andres Bello N° 2299 Oficina 1001 Providencia - Santiago	Advice and consulting, development and sale of software.	Grupo Santillana Educación Global, S.L.	99.99%	2/91
Richmond Educação, Ltda.	Rua Padre Adelino, 758. Belezinho. Sao Paulo. Brasil	Publishing	Santillana Educación, S.L.	0.02%	
Richmond Publishing, S.A. de C.V.	Avenida Río Mixcoac 274 Col Acacias. México DF. México	Publishing	Santillana Educación, S.L.	100.00%	
Salamandra Editorial, Ltda.	Rua Urbano Santos 755, Sao Paulo. Brasil	Publishing	Editorial Santillana, S.A. de C.V. (México)	0.00%	
Santillana Administração de Bens, LTDA	Rua Padre Adelino, 758. Belezinho. Sao Paulo (Brasil)	Assets management.	Santillana Del Pacifico, S.A.	70.00%	
Santillana Canarias, S.L.	Urbanización El Mayorazgo. Parcela 14, 2-7B. Santa Cruz de Tenerife	Publishing	Editora Moderna, Ltda.	100%	
Santillana de Ediciones, S.A. (Bolivia)	Calle 13, N° 8078. Zona de Calacoto. La Paz. Bolivia	Publishing	Ítaca, S.L.	1 acción	
Santillana del Pacífico, S.A. de Ediciones.	Avenida Andres Bello 2299 Oficina 1001-1002 Providencia. Santiago Chile	Publishing	Lanza, S.A. de C.V.	99.98%	
Santillana Editores, S.A.	R. Mario Castelhana, 40 - Queluz de Baixo - 2734-502 Baracarena - Portugal	Publishing	Editorial Santillana, S.A. de C.V. (México)	0.02%	
Santillana Educación, S.L.	Av. de los Artesanos, 6 Tres Cantos. Madrid	Publishing	Editora Moderna, Ltda.	100.00%	
Santillana Formación, S.L.	Av. de los Artesanos, 6 Tres Cantos. Madrid	Online Training.	Ítaca, S.L.	1 acción	
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	Ítaca, S.L.	1 acción	
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.	Santillana Educación, S.L.	99.00%	2/91
Santillana Sistemas Educativos, S.L.	Av. de los Artesanos, 6 Tres Cantos. Madrid	Publishing	Ítaca, S.L.	1.00%	
Santillana USA Publishing Co. Inc.	2023 NW 84th Avenue. Doral. Florida. EE.UU.	Publishing	Santillana Educación, S.L.	99.70%	
Santillana, S.A. (Costa Rica)	La Uruca. 200 m Oeste de Aviación Civil. San José. Costa Rica	Publishing	Ed. Grazaema, S.L.	0.15%	
Santillana, S.A. (Ecuador)	Calle De las Higueras 118 y Julio Arellano. Quito. Ecuador	Publishing	Ítaca, S.L.	0.15%	
Santillana, S.A. (Paraguay)	Avenida Venezuela. 276. Asunción. Paraguay	Publishing	Santillana Educación, S.L.	100.00%	
Santillana, S.A. (Perú)	Avenida Primavera 2160. Santiago de Surco. Lima. Perú	Publishing	Ítaca, S.L.	1 acción	
Sistemas Educativos de Enseñanza, S.A. de C.V.	Avenida Río Mixcoac 274 Col Acacias. México DF. México	Publishing	Santillana Educación, S.L.	100.00%	2/91
Soluções Inovadoras em Educação LTDA. (Before Uno Educação Ltda.)	Rua Padre Adelino, 758. Belezinho. Sao Paulo. Brasil	Publishing	Edicions Obradoiro, S.L.	1 acción	
Vanguardia Educativa Santillana Compartir, S.A. de C.V.	Avenida Río Mixcoac 274 Col Acacias. México DF. México	Publishing	Santillana Sistemas Educativos, S.L.	94.46%	
Zubia Editorial, S.L.	Polígono Lezama Leguizamón. Calle 31. Etxebarri. Vizcaya	Publishing	Distribuidora y Editora Richmond S.A.	5.54%	
			Grupo Santillana Educación Global, S.L.	99.99%	2/91
			Ítaca, S.L.	0.01%	
			Ítaca, S.L.	1 acción	
			Santillana Educación, S.L.	100.00%	
			Ítaca, S.L.	1 acción	
			Santillana Educación, S.L.	99.89%	
			Ediciones Santillana, S.A. (Argentina)	0.11%	
			Santillana Educación, S.L.	95.00%	
			Santillana Sistemas Educativos, S.L.	99.98%	
			Lanza, S.A. de C.V.	0.02%	
			Nuevo México, S.A. de C.V.	1 acción	
			Editora Moderna, Ltda.	100.00%	
			Ítaca, S.L.	1 acción	
			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
			Ítaca, 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 2017	
				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.(Sociedad Unipersonal)	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.(Sociedad Unipersonal)	97.03%	
Ediciones LM, S.L.	Plaza de Cervantes, 6. Ciudad Real	Operation of radio broadcasting stations.	Sociedad Española de Radiodifusión, S.L.(Sociedad Unipersonal)	50.00%	
Gestión de Marcas Audiovisuales, S.A.	Gran Vía, 32. Madrid	Production and recording of sound media.	Sociedad Española de Radiodifusión, S.L.(Sociedad Unipersonal)	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%	
			Sociedad Española de Radiodifusión, S.L.(Sociedad Unipersonal)	50.00%	
Iniciativas Radiofónicas, S.A.	Gran Vía, 32. Madrid	Operation of radio broadcasting stations.	Sociedad Española de Radiodifusión, S.L.(Sociedad Unipersonal)	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.(Sociedad Unipersonal)	46.25%	
Prisa Radio, S.A.	Gran Vía, 32. Madrid	Provision of services to radio broadcasting companies.	Prisa Participadas, S.L.	73.49%	2/91
			Prisa Radio, S.A.	2.03%	
Prisa Radio Perú, S.A.C.	Avda. Primavera 2160	Publishing of periodicals and other periodicals.	Sociedad Española de Radiodifusión, S.L.(Sociedad Unipersonal)	100.00%	
			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.(Sociedad Unipersonal)	100.00%	
			Propulsora Montañesa, S. A.	1 acción	
Radio Club Canarias, S.A.	Avenida Anaga, 35. Santa Cruz de Tenerife	Operation of radio broadcasting stations.	Sociedad Española de Radiodifusión, S.L.(Sociedad Unipersonal)	95.00%	
Radio España de Barcelona, S.A.	Caspe, 6. Barcelona	Operation of radio broadcasting stations.	Sociedad Española de Radiodifusión, S.L.(Sociedad Unipersonal)	99.32%	
Radio Lleida, S.L.	Calle Vila Antonia. Nº 5. Lleida	Operation of radio broadcasting stations.	Sociedad Española de Radiodifusión, S.L.(Sociedad Unipersonal)	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.(Sociedad Unipersonal)	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.(Sociedad Unipersonal)	24.00%	
Sociedad Española de Radiodifusión, S.L.(Sociedad Unipersonal)	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.(Sociedad Unipersonal)	74.60%	
Sogecable Música, S.L.	Gran Vía, 32. Madrid	Creation, broadcasting, distribution and operation of thematic television channels.	Sociedad Española de Radiodifusión, S.L.(Sociedad Unipersonal)	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.(Sociedad Unipersonal)	50.00%	
Teleradio Pres, S.L.	Avenida de la Estación, 5 Bajo. Albacete	Media management.	Sociedad Española de Radiodifusión, S.L.(Sociedad Unipersonal)	75.10%	
Teleser, S.A.	Gran Vía, 32. Madrid	Operation of radio broadcasting stations.	Sociedad Española de Radiodifusión, S.L.(Sociedad Unipersonal)	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>					
Laudio Irratia, S.L.	Pol.Industrial Ed.Cermámica 1. Álava	Operation of radio broadcasting stations.	Sociedad Española de Radiodifusión, S.L.(Sociedad Unipersonal)	26.43%	
Radio Jaén, S.L.	Obispo Aguilar, 1. Jaén	Operation of radio broadcasting stations.	Sociedad Española de Radiodifusión, S.L.(Sociedad Unipersonal)	35.99%	

(*) Consolidated tax Group Promotora de Informaciones, S.A.: 2/91

COMPANY	REGISTERED OFFICE	LINE OF BUSINESS	COMPANY HOLDING THE OWNERSHIP INTEREST	December 2017	
				PERCENTAGE OF OWNERSHIP	TAX GROUP (*)
INTERNATIONAL RADIO					
<u>Full Consolidation</u>					
Abril, S.A.	Eliodoro Yañex. N° 1783. Comuna Providencia Santiago. Chile	Commercial radio broadcasting services and operation of radio stations.	Iberoamericana Radio Chile, S.A. Comercializadora Iberoamericana Radio Chile, S.A.	100.00% 0.00%	
Aurora, S.A.	Eliodoro Yañex. N° 1783. Comuna Providencia Santiago. Chile	Commercial radio broadcasting services and operation of radio stations.	Iberoamerican Radio Holding Chile, S.A. Comercializadora Iberoamericana Radio Chile, S.A.	99.98% 0.02%	
Blaya y Vega, S.A.	Eliodoro Yañex. N° 1783. Comuna Providencia Santiago. Chile	Commercial radio broadcasting services and operation of radio stations.	Radiodifusión Iberoamerican Chile S.A. Comercializadora Iberoamericana Radio Chile, S.A.	100.00% 0.00%	
Caracol Broadcasting Inc. Caracol Estéreo, S.A.	2100 Coral Way - Miami 33145 - Florida, EE.UU. Calle 67 N° 7-37 Piso 7 Bogotá. Colombia	Operation of radio broadcasting stations. Commercial radio broadcasting services.	GLR Services Inc. Sociedad Española de Radiodifusión, S.L.(Sociedad Unipersonal) Prisa Radio, S.A.	100.00% 77.04% 2 acciones	
Caracol, S.A.	Calle 67 N° 7-37 Piso 7 Bogotá. Colombia	Commercial radio broadcasting services.	Sociedad Española de Radiodifusión, S.L.(Sociedad Unipersonal) Prisa Radio, S.A.	77.05% 2 acciones	
Comercializadora Iberoamericana Radio Chile, S.A.	Eliodoro Yañex. N° 1783. Comuna Providencia Santiago. Chile	Production and sale of CD's, advertising, promotions and events.	GLR Chile Ltda. Sociedad Española de Radiodifusión, S.L.(Sociedad Unipersonal) Caracol, S.A.	99.84% 0.16% 43.45%	
Compañía de Comunicaciones de Colombia C.C.C. Ltda.	Calle 67 N° 7-37 Piso 7 Bogotá. Colombia	Commercial radio broadcasting services.	Promotora de Publicidad Radial, S.A. Sociedad Española de Radiodifusión, S.L.(Sociedad Unipersonal) Caracol Estéreo, S.A. Ecos de la Montaña Cadena Radial Andina, S.A.	19.27% 16.72% 11.13% 4.42%	
Compañía de Radios, S.A.	Eliodoro Yañex. N° 1783. Comuna Providencia Santiago. Chile	Commercial radio broadcasting services and operation of radio stations.	Iberoamerican Radio Holding Chile, S.A. Comercializadora Iberoamericana Radio Chile, S.A.	99.92% 0.08%	
Comunicaciones del Pacifico, S.A.	Eliodoro Yañex. N° 1783. Comuna Providencia Santiago. Chile	Operation and management of TV channels and radio stations.	Comercializadora Iberoamericana Radio Chile, S.A. Iberoamericana Radio Chile, S.A.	66.67% 33.33%	
Comunicaciones Santiago, S.A.	Eliodoro Yañex. N° 1783. Comuna Providencia Santiago. Chile	Operation and management of TV channels and radio stations.	Sociedad Radiodifusora del Norte, Ltda. Iberoamericana Radio Chile, S.A.	100.00% 1 acción	
Consortio Radial de Panamá, S.A	Urbanización Obarrio, Calle 54 Edificio Caracol. Panamá	Advisory services and commercialisation of services and products.	Sociedad Española de Radiodifusión, S.L.(Sociedad Unipersonal)	100.00% 1 acción	
Corporación Argentina de Radiodifusión, S.A.	Beazley 3860. Buenos Aires. Argentina	Operation of radio broadcasting stations.	GLR Services Inc. Sociedad Española de Radiodifusión, S.L.(Sociedad Unipersonal)	99.17% 0.83%	
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.(Sociedad Unipersonal) Prisa Radio, S.A.	76.8% 1 acción	
Emisora Mil Veinte, S.A.	Calle 67. N° 7-37. Piso 7. Bogotá. Colombia	Commercial radio broadcasting services.	Sociedad Española de Radiodifusión, S.L.(Sociedad Unipersonal) Prisa Radio, S.A.	75.72% 1 acción	
Fast Net Comunicaciones, S.A.	Eliodoro Yañex. N° 1783. Comuna Providencia Santiago. Chile	Commercial radio broadcasting services and operation of radio stations.	Comunicaciones Santiago, S.A. Iberoamericana Radio Chile, S.A.	99.00% 1.00%	
GLR Colombia, Ltda.	Calle 67. N° 7-37. Piso 7. Bogotá. Colombia	Provision of services to radio broadcasting companies.	Sociedad Española de Radiodifusión, S.L.(Sociedad Unipersonal) Prisa División Internacional, S.L.	99.00% 1.00%	
GLR Chile, Ltda. (*)	Eliodoro Yañex. N° 1783. Comuna Providencia Santiago. Chile	Operation of radio broadcasting stations.	Sociedad Española de Radiodifusión, S.L.(Sociedad Unipersonal) Caracol, S.A.	100.00% 0.00%	
GLR Services Inc.	Baypoint Office Tower, 4770 BiScayne Blvd. Suite 700 Miami. FL 33137. EE.UU.	Provision of services to radio broadcasting companies.	Sociedad Española de Radiodifusión, S.L.(Sociedad Unipersonal)	100.00%	
GLR Southern California, LLC Iberoamerican Radio Holding Chile, S.A.	3500 Olive Avenue Suite 250 Burbank, CA 91505. EE.UU. Eliodoro Yañex. N° 1783. Comuna Providencia Santiago. Chile	Provision of services to radio broadcasting companies. Commercial radio broadcasting services and operation of radio stations.	GLR Services Inc. Iberoamericana Radio Chile, S.A. Comercializadora Iberoamericana Radio Chile, S.A.	100.00% 100.00% 0.00%	
Iberoamericana Radio Chile, S.A.	Eliodoro Yañex. N° 1783. Comuna Providencia Santiago. Chile	Commercial radio broadcasting services and operation of radio stations.	Grupo Latino de Radiodifusión Chile Ltda. . Sociedad Española de Radiodifusión, S.L.(Sociedad Unipersonal)	100.00% 0.00%	
La Voz de Colombia, S.A.	Calle 67. N° 7-37. Piso 7. Bogotá. Colombia	Commercial radio broadcasting services.	Sociedad Española de Radiodifusión, S.L.(Sociedad Unipersonal) Caracol, S.A.	75.64% 0.01%	
LS4 Radio Continental, S.A	Rivadavia 835. Ciudad Autónoma de Buenos Aires. Argentina	Radio broadcasting and advertising services.	GLR Services Inc. Corporación Argentina de Radiodifusión, S.A.	70.00% 30.00%	
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.(Sociedad Unipersonal) Prisa Radio, S.A.	77.04% 2 acciones	
Publicitaria y Difusora del Norte Ltda.	Eliodoro Yañex. N° 1783. Comuna Providencia Santiago. Chile	Radio broadcasting.	Comercializadora Iberoamericana Radio Chile, S.A. Iberoamericana Radio Chile, S.A.	99.00% 1.00%	
Radio Estéreo, S.A	Rivadavia 835. Ciudad Autónoma de Buenos Aires. Argentina	Radio broadcasting and advertising services.	GLR Services Inc. Corporación Argentina de Radiodifusión, S.A.	70.00% 30.00%	
Radiodifusion Iberoamerican Chile S.A.	Eliodoro Yañex. N° 1783. Comuna Providencia Santiago. Chile	Holding	Iberoamericana Radio Chile S.A. Sociedad Española de Radiodifusión, S.L.(Sociedad Unipersonal)	100.00% 0.00%	

(*) Consolidated data

COMPANY	REGISTERED OFFICE	LINE OF BUSINESS	COMPANY HOLDING THE OWNERSHIP INTEREST	December 2017	
				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.(Sociedad Unipersonal) Caracol, S.A. Caracol Estéreo, S.A. Emisora Mil Veinte, S.A. Promotora de Publicidad Radial, S.A. Ecos de la Montaña Cadena Radial Andina, S.A.	48.40% 29.85% 0.35% 0.35% 0.35% 0.01%	
Sociedad de Radiodifusión El Litoral, S.L.	Eliodoro Yañex. N° 1783. Comuna Providencia Santiago. Chile	Rental of equipment and advertising sales.	Iberoamericana Radio Chile, S.A. Comercializadora Iberoamericana Radio Chile, S.A.	99.9% 0.10%	
Sociedad Radiodifusora del Norte, Ltda.	Eliodoro Yañex. N° 1783. Comuna Providencia Santiago. Chile	Operation of radio broadcasting stations.	Comercializadora Iberoamericana Radio Chile, S.A. Iberoamericana Radio Chile S.A	80.00% 20.00%	
Societat de Comunicació i Publicitat, S.L.	Parc. de la Mola, 10 Torre Caldea, 6º Escalde. Engordany. Andorra	Operation of radio broadcasting stations.	Sociedad Española de Radiodifusión, S.L.(Sociedad Unipersonal) Unión Radio del Pirineu, S.A.	99.00% 1.00%	
W3 Comm Inmobiliaria, S.A. de C.V.	Carretera Libre Tijuana. Ensenada 3100. Rancho Altamira Blvd Popotla y Camino al FRACC Misión del Mar. Playas de Rosarito. Baja California. EE.UU.	Real estate development services.	Sociedad Española de Radiodifusión, S.L.(Sociedad Unipersonal) Prisa División Internacional, S.L.	99.99% 1 acción	
<u>Equity Method</u>					
Cadena Radiodifusora Mexicana, S.A. de C.V.	Calzada de Tlalpan 3000 col Espartaco México D.F. 04870. México	Operation of radio broadcasting stations.	Sistema Radiópolis, S.A. de C.V. Radio Comerciales, S.A. de C.V.	99.99% 0.01%	
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.	Sistema Radiópolis, S.A. de C.V. Cadena Radiodifusora Mexicana, S.A. de C.V.	99.90% 0.10%	
El Dorado Broadcasting Corporation GLR Costa Rica, S.A.	2100 Coral Way. Miami. Florida. EE.UU. Llorente de Tibás. Edificio La Nación. San José. Costa Rica	Development of the Latin radio market in the US. Radio broadcasting.	GLR Services INC. Sociedad Española de Radiodifusión, S.L.(Sociedad Unipersonal)	25.00% 50.00%	
Green Emerald Business Inc. Multimedios GLP Chile SPA Promotora Radial del Llano, LTDA	Calle 54. Obarrio N° 4. Ciudad de Panamá. Panamá Av. Andrés Bello 2325 Piso 9, Providencia Calle 67 N° 7-37 Piso 7 Bogotá. Colombia	Development of the Latin radio market in Panama. Exploitation of media. Commercial broadcasting services.	Sociedad Española de Radiodifusión, S.L.(Sociedad Unipersonal) Iberoamericana Radio Chile, S.A. Caracol, S.A. Promotora de Publicidad Radial, S.A.	34.95% 50.00% 100.00% 1 acción	
Q'Hubo Radio, S.A.S	CL 57 No 17 - 48 Bogotá, Colombia	Exploitation of broadcasting and advertising business in all aspects.	Caracol, S.A.	100.00% 1 acción	
Radio Comerciales, S.A. de C.V.	Rubén Darío n° 158. Guadalajara. México	Operation of radio broadcasting stations.	Sistema Radiópolis, S.A. de C.V. Cadena Radiodifusora Mexicana, S.A. de C.V.	99.97% 0.03%	
Radio Melodía, S.A. de C.V.	Rubén Darío n° 158. Guadalajara. México	Operation of radio broadcasting stations.	Cadena Radiodifusora Mexicana, S.A. de C.V. Radio Comerciales, S.A. de C.V.	99.00% 1.00%	
Radio Tapatía, S.A. de C.V.	Rubén Darío n° 158. Guadalajara. México	Operation of radio broadcasting stations.	Cadena Radiodifusora Mexicana, S.A. de C.V. Radio Comerciales, S.A. de C.V.	99.00% 1.00%	
Radiotelevisora de Mexicali, S.A. de C.V.	Avenida Reforma 1270. Mexicali Baja California. México	Operation of radio broadcasting stations.	Sistema Radiópolis, S.A. de C.V. Radio Comerciales, S.A. de C.V.	99.99% 0.01%	
Servicios Radiópolis, S.A. de C.V.	Calzada de Tlalpan 3000 col Espartaco México D.F. 04870. México	Operation of radio broadcasting stations.	Sistema Radiópolis, S.A. de C.V. Radio Comerciales, S.A. de C.V.	100.00% 0.00%	
Servicios Xezz, S.A. de C.V.	Calzada de Tlalpan 3000 col Espartaco México D.F. 04870. México	Operation of radio broadcasting stations.	Xezz, S.A. de C.V. Radio Comerciales, S.A. de C.V.	100.00% 0.00%	
Sistema Radiópolis, S.A. de C.V. (**)	Avenida Vasco de Quiroga 2000. México D.F. México	Operation of radio broadcasting stations.	Sociedad Española de Radiodifusión, S.L.(Sociedad Unipersonal)	50.00%	
Unión Radio del Pirineu, S.A.	Carrer Prat del Creu, 32. Andorra	Operation of radio broadcasting stations.	Prisa Radio, S.A.	33.00%	
W3 Comm Concesionaria, S.A. de C.V.	Carretera Libre Tijuana. Ensenada 3100. Rancho Altamira Blvd Popotla y Camino al FRACC Misión del Mar. Playas de Rosarito. Baja California. EE.UU.	Advisory services on business administration and organisation.	Sociedad Española de Radiodifusión, S.L.(Sociedad Unipersonal)	48.98%	
WSUA Broadcasting Corporation Xezz, S.A. de C.V.	2100 Coral Way. Miami. Florida. EE.UU. Rubén Darío n° 158. Guadalajara. México	Radio broadcasting. Operation of radio broadcasting stations.	El Dorado Broadcasting Corporation Cadena Radiodifusora Mexicana, S.A. de C.V. Radio Comerciales, S.A. de C.V.	100.00% 99.00% 1.00%	
MUSIC					
<u>Full Consolidation</u>					
Gran Vía Musical de Ediciones, S.L. Planet Events,S.A. Prisa Música, S.A. Prisa Música América, S.A.S.	Gran Vía, 32. Madrid Gran Vía, 32. Madrid Gran Vía, 32. Madrid Calle 98 N° 18 - 71 Oficina 401, Bogota D.C.	Provision of music services. Production and organisation of shows and events. Production and organisation of shows and events. Production and organisation of shows and events.	Prisa Radio, S.A. Gran Vía Musical de Ediciones, S.L. Planet Events, S.A. Prisa Música, S.A.	100.00% 100.00% 100.00% 100.00%	2/91 2/91 2/91 2/91

(*) Consolidated tax Group Promotora de Informaciones, S.A.: 2/91

(**) Consolidated data

COMPANY	REGISTERED OFFICE	LINE OF BUSINESS	COMPANY HOLDING THE OWNERSHIP INTEREST	December 2017	
				PERCENTAGE OF OWNERSHIP	TAX GROUP (*)
PRESS					
<i>Full Consolidation</i>					
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 98, nº 1871 OF401. 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.	100.00%	
Noticias AS México S.A. de C.V.	Calle Tlalpan, 3000, Col. Espartaco, 04870. México, D.F	Publication and operation of As newspaper in Mexico.	Diario As, S.L. Prisa Noticias, S.L.	99.00% 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. Diario El País México, S.A. de C.V.	94.89% 5.11%	
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.	Diario El País, S.L. Ediciones El País, S.L.	99.99% 0.01%	
Diario El País México, S.A. de C.V.	Avenida Universidad 767. Colonia del Valle. México D.F. México	Operation of El País newspaper in Mexico.	Diario El País, S.L. Promotora de Informaciones, S.A.	97.42% 2.58%	
Prisa Noticias de Colombia, SAS.	Calle 98 No 18- 71 oficinas 401 -402 del edificio Varese Bogotá	Operation of El País newspaper in Colombia.	Diario El País, S.L.	100.00%	
Diario El País, S.L.	Miguel Yuste, 40. Madrid	Publication and operation of El País newspaper.	Prisa Noticias, S.L.	100.00%	2/91
Ediciones El País (Chile) Limitada.	Eliodoro Yáñez 1783, Providencia. Santiago. Chile	Publication, operation and sale of El País newspaper in Chile.	Ediciones El País, S.L. Grupo de Medios Impresos y Digitales, S.L.	100.00% 1 acción	
Ediciones El País, S.L.	Miguel Yuste, 40. Madrid	Publication, operation and sale of El País newspaper.	Diario El País, S.L. Prisa Noticias, S.L.	99.99% 0.01%	2/91
Espacio Digital Editorial, S.L.	Gran Vía, 32. Madrid	Edition and exploitation of Huffinton Post digital for Spain.	Prisa Noticias, S.L.	100.00%	2/91
Estructura, Grupo de Estudios Económicos, S.A.	Miguel Yuste, 42. Madrid	Publication and operation of Cinco Dias newspaper.	Grupo de Medios Impresos y Digitales, S.L.	100.00%	2/91
Grupo de Medios Impresos y Digitales, S.L.	Gran Vía, 32. Madrid	Ownership of shares of publishing companies.	Prisa Noticias, S.L.	100.00%	2/91
Meristation Magazine, S.L.	Almogavers 12. Llagostera. Girona	Documentation provision services.	Promotora General de Revistas, S.A.	100.00%	2/91
Pressprint, S.L. (Sociedad Unipersonal)	Valentín Beato, 44. Madrid	Production, printing, publication and distribution of products.	Diario El País, S.L.	100.00%	2/91
Prisa Eventos, S.L.	Miguel Yuste, 40 Madrid	Sole rights of advertising in all the means and designs. Organization management and comercialization of activities and cultural sports, promocionals.	Prisa Noticias, S.L.	100.00%	2/91
Prisa Noticias, S.L.	Gran Vía, 32. Madrid	Operation of press media.	Promotora de Informaciones, S.A.	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. Promotora de Informaciones, S.A.	99.96% 0.04%	2/91
<i>Equity Method</i>					
As Arabia For Marketing, W.L.L.	D Ring Road, 3488, Doha, Qatar	Marketing of the newspaper As on line in Arabic in the countries of the Middle East and North Africa.	Diario As, S.L.	49.00%	
Betmedia Soluciones, S.L. (¹)	Rua de Garrucha, 8, Santa Crua, 15179 A Coruña	Development, management and operation of websites, platforms and software to perform game-related activities.	Prisa Noticias, S.L.	25.00%	
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.	50.00%	
Le Monde Libre Societé Comandité Simple (²)	17, Place de la Madeleine. Paris	Holding of shares in publishing companies.	Prisa Noticias, S.L.	20.00%	

(*) Consolidated tax Group Promotora de Informaciones, S.A.: 2/91

(¹) Information to November 2017

(²) Information to December 2016

COMPANY	REGISTERED OFFICE	LINE OF BUSINESS	COMPANY HOLDING THE OWNERSHIP INTEREST	December 2017	
				PERCENTAGE OF OWNERSHIP	TAX GROUP (*)
MEDIA CAPITAL					
<u>Full Consolidation</u>					
Argumentos para Audiovisual, Lda. (CASA DA CRIAÇÃO)	Rua Mário Castelhana, 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, nºs 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, n.ºs 24-26 1070 249 Lisboa. Portugal	Activity sound broadcasting domains of production.	Produções Audiovisuais, S.A. (RADIO CIDADE)	100.00%	
Emissoes de Radiodifusao, 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. (EMAV)	Rua Mário Castelhana, 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 Castelhana, 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 Castelhana nº 40. Queluz de Baixo. Portugal	Holding of company shares.	Vertex, 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.	Emissoes de Radiodifusao, S.A. (RADIO REGIONAL DE LISBOA)	100.00%	
Media Capital Digital, S.A	Rua Mário Castelhana. 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 (MCME)	Rua Mário Castelhana. 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 Castelhana. 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%	1 acci3n
Media Capital Rádios, S.A (MCR II)	Rua Mário Castelhana. 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%	1 acci3n
Media Global, SGPS, S.A. (MEGLO)	Rua Mário Castelhana. Nº 40. 2734-502. Barcarena. Portugal	Holding of company shares.	Grupo Media Capital, SGPS, S. A.	100.00%	
Moliceiro, Comunicacao Social, Lda.	Rua Sampaio e Pina. 24/26. 1070 249. Lisboa. Portugal	Broadcasting activity.	Emissoes de Radiodifusao, S.A. (RADIO REGIONAL DE LISBOA)	100.00%	
CLMC-Multimedia, Unipessoal, Ltda.	Rua Mário Castelhana, 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%	
NOTIMAIA-Publicações e Comunicações, S.A.	Rua Sampaio e Pina, nºs 24/26 1099 044 Lisboa. Portugal	Broadcasting activity, as well as the publication of newspapers and magazines.	Emissoes de Radiodifusao, S.A. (RADIO REGIONAL DE LISBOA)	100.00%	
BEIRAS FM - Radiodifusão e Publicidade, Unipessoal, Lda. ("BEIRAS FM") (Before Penalva do Castelo FM Radiodifusao e Publicidade ,Lda.)	Rua Sampaio e Pina, nº 24-26 1070 249 Lisboa. Portugal	Broadcasting in production areas and programs transmission.	Emissoes de Radiodifusao, S.A. (RADIO REGIONAL DE LISBOA)	100.00%	
Plural Entertainment España, S.L.	Gran Vía, 32. Madrid	Production and distribution of audiovisual content.	Media Capital Produções, S.A. (MCP)	100.00%	2/91
Plural Entertainment Inc.	1680 Michigan Avenue. Suite 730. Miami Beach. EE.UU.	Production and distribution of audiovisual content.	Plural Entertainment España, S.L.	100.00%	
Plural Entertainment Portugal, S.A.	Rua Mário Castelhana, nº 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.	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.	Emissoes de Radiodifusao, S.A. (RADIO REGIONAL DE LISBOA)	100.00%	
PRC Produções Radiofonicas de Coimbra,Lda.	Rua Sampaio e Pina, nºs 24-26 1070 249 Lisboa. Portugal	Cinema production, video and television programs.	Emissoes de Radiodifusao, S.A. (RADIO REGIONAL DE LISBOA)	100.00%	
Produção de Eventos, Lda. (MEDIA CAPITAL ENTERTAINMENT)	Rua Mário Castelhana. 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 (MCME)	100.00%	

(*) Consolidated tax Group Promotora de Informaciones, S.A.: 2/91

COMPANY	REGISTERED OFFICE	LINE OF BUSINESS	COMPANY HOLDING THE OWNERSHIP	INTEREST	December 2017	
					PERCENTAGE OF OWNERSHIP	TAX GROUP (*)
Producciones Audiovisuales, S.A. (NBP IBÉRICA) 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.	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 CIDADE)		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, n'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 Radiodifusao, 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.	Emissoes de Radiodifusao, S.A. (RADIO REGIONAL DE LISBOA)		100.00%	
Rádio Nacional - Emissoes de Radiodifusao, Unipessoal Lda.	Rua Sampaio e Pina, n'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 Voz de Alcanena, Lda. (RVA)	Rua Sampaio e Pina, n's 24-26 1099 044 Lisboa. Portugal	Production and emission radio programs with educational, informative, recreative and cultural characteristics.	Produções Audiovisuais, S.A. (RADIO CIDADE)		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%	
Flor Do Éter Radiodifusão, Lda.	Rua Sampaio e Pina, n'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 exhibitions and cultural and artistic conferences, assembly of and with equipments of sound and image.	Produções Audiovisuais, S.A. (RADIO CIDADE)		100.00%	
R.C. - Empresa de Radiodifusão, Unipessoal, Lda.	Rua Sampaio e Pina, n's 24-26 1099 044 Lisboa. Portugal	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, phonographic or videographic discs, television or radio programs and recordings of advertising films.	Emissoes de Radiodifusao, S.A. (RADIO REGIONAL DE LISBOA)		100.00%	
Serviços de Consultoria e Gestao, S.A. (MEDIA CAPITAL SERVIÇOS)	Rua Mário Castelhana. Nº 40. 2734-502. 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. Sociedad de Impresa Radio 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. 2734-502. Barcarena. Portugal	Production of multimedia, audiovisual and phonogram storage media.	Media Capital Música e Entretenimento, S.A (MCME)		100.00%	
Televisao Independente, S.A. (TVI)	Rua Mário Castelhana. Nº 40. 2734-502. 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 Producciones Cinematográficas, S.L.	Gran Vía, 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

COMPANY	REGISTERED OFFICE	LINE OF BUSINESS	COMPANY HOLDING THE OWNERSHIP INTEREST	December 2017	
				PERCENTAGE OF OWNERSHIP	TAX GROUP (*)
DIGITAL					
<i>Full Consolidation</i>					
Infotecnia 11824, S.L. Prisa Tecnología, S.L.	Ronda de Poniente 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					
<i>Full Consolidation</i>					
Bidasoa Press, S.L. Distribuciones Aliadas, S.A. Norpremsa, S.A. Prisaprint, S.L.	Calle Malilla Nº 134. 46026. Valencia 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 of publishing products. Printing of publishing products. Printing of publishing products. Management of printing companies.	Prisaprint, S.L. Prisaprint, S.L. Prisaprint, S.L. Prisa Participadas, S.L.	100.00% 100.00% 100.00% 100.00%	2/91 2/91 2/91 2/91
PRISA BRAND SOLUTIONS					
<i>Full Consolidation</i>					
Eresmas Interactiva Inc. Fullscreen Solutions, S.A. de C.V. Latam Digital Ventures, LLC (LDV) Mobvious Corp. Prisa Brand Solutions, S.L. (Sociedad Unipersonal) Prisa Digital Inc. Sturm Interactiva, S.A. de C.V.	2600 Douglas Road Suite 502 Coral Gables Miami Florida USA 33134 Montecito 38 Piso 6 Oficina 24 Col. Nápoles Del. Benito Juárez Ciudad de México 03100 2600 Douglas Road Suite 502 Coral Gables Miami Florida USA 33134 2600 Douglas Road Suite 502 Coral Gables Miami Florida USA 33134 C/ Valentin Beato, 48. Madrid 2100 Coral Way. Suite 200. Miami. Florida. 33145. EE.UU. Montecito 38 Piso 6 Oficina 24 Col. Nápoles Del. Benito Juárez Ciudad de México 03100	Marketing of advertising in digital media. Marketing of advertising in video. Holding of company shares. Marketing of advertising in digital media. Marketing of advertising in media. Marketing of advertising in digital media.	Latam Digital Ventures, LLC Latam Digital Ventures, LLC Prisa Brand Solutions, S.L. (Sociedad Unipersonal) Latam Digital Ventures, LLC Promotora de Informaciones, S.A. Prisa Brand Solutions, S.L. (Sociedad Unipersonal) Latam Digital Ventures, LLC Prisa Brand Solutions, S.L. (Sociedad Unipersonal)	100.00% 84.00% 1.00% 100.00% 100.00% 100.00% 99.99% 0.01%	2/91 2/91 2/91 2/91
LOCAL TELEVISION					
<i>Full Consolidation</i>					
Collserola Audiovisual, S.L. (In liquidation) Málaga Altavisión, S.A. (In liquidation) Productora Audiovisual de Badajoz, S.A. Productora Extremeña de Televisión, S.A. Promotora de Emisoras, S.L. Promotora de Emisoras de Televisión, S.A.	Plaza Narcís Oller. Nº 6 1º. 1º. 08006. Barcelona Paseo de Reding, 7. Málaga Ramón Albarán, 2. Badajoz J. M. R. "Azorín". Edificio Zeus. Polígono La Corchera. Mérida. Badajoz Gran Vía, 32. Madrid Gran Vía, 32. Madrid	Provision of local television services. Production and broadcasting of videos and TV programmes. Provision of local television services. Provision of local television services. Radio broadcasting services. Operation of TV channels.	Promotora de Emisoras de Televisión, S.A. Promotora de Emisoras de Televisión, S.A. Promotora de Emisoras de Televisión, S.A. Promotora de Emisoras de Televisión, S.A. Promotora de Informaciones, S.A. Promotora de Emisoras, S.L. Promotora de Informaciones, S.A.	98.63% 87.24% 61.45% 70.00% 100.00% 75.00% 25.00%	2/91 2/91 2/91 2/91
OTHERS					
<i>Full Consolidation</i>					
Audiovisual Sport, S.L. Grupo Latino de Publicidad Colombia, SAS Prisa División Internacional, S.L. Prisa Audiovisual, S.L. (Sociedad Unipersonal) Prisa Gestión de Servicios, S.L. Prisa Inc. Prisa Inn, S.A. (Before Solomédios, S.A.) Prisa Participadas, S.L. Prisa Producciones de Video, S.L. Plural Entertainment Canarias, S.L. Promotora de Actividades América 2010 - México, S.A. de C.V. Promotora de Actividades América 2010, S.L. (In liquidation) Promotora de Actividades Audiovisuales de Colombia, Ltda. Vertix, SCIPS, S.A.	Av. de los Artesanos, 6 Tres Cantos. Madrid Carrera 9, 9907 Oficina 1200. Bogotá. Colombia Gran Vía, 32. Madrid Gran Vía, 32. Madrid Gran Vía, 32. Madrid 2100 Coral Way Suite 200 Miami 33145 U.S.A. C/ Valentin Beato, 48. Madrid Gran Vía, 32. Madrid Gran Vía, 32. Madrid Dársena Pesquera. Edificio Plató del Atlántico. San Andrés 38180. Santa Cruz de Tenerife Avenida Paseo de la Reforma 300. Piso 9. Col. Juárez. 06600. México. D.F. México Gran Vía, 32. Madrid Calle 80, 10 23. Bogotá. Colombia Rua Mario Castelhana, nº 40, Queluz de Baixo. Portugal	Management and distribution of audiovisual rights. Operation and sale of all manner of advertising. Holding of company shares. Holdings Management and development of administrative, financial, personnel, resource selection services. Management of companies in the US and North America. Advertising management. Lease of commercial and industrial premises and set up and manage companies. Production, distribution and audiovisual marketing. Production and distribution of audiovisual content. Development, co-ordination and management of all manner of international and national projects marking the bicentenary of American Independence. Production and organisation of activities and projects marking the bicentenary of American Independence. Production and distribution of audiovisual content. Holding of company shares.	Prisa Participadas, S.L. Prisa División Internacional, S.L. Prisa Participadas, S.L. Promotora de Informaciones, S.A. Promotora de Informaciones, S.A. Prisa División Internacional, S.L. Prisa Participadas, S.L. Promotora de Informaciones, S.A. Prisa Audiovisual, S.L. (Sociedad Unipersonal) Prisa Audiovisual, S.L. (Sociedad Unipersonal) Promotora de Actividades América 2010, S.L. Prisa División Internacional, S.L. Promotora de Informaciones, S.A. Prisa División Internacional, S.L. Promotora de Informaciones, S.A. Promotora de Informaciones, S.A.	80.00% 100.00% 100.00% 100.00% 100.00% 100.00% 100.00% 100.00% 100.00% 100.00% 100.00% 100.00% 100.00% 99.00% 1.00% 100.00%	2/91 2/91 2/91 2/91 2/91 2/91 2/91 2/91 2/91 2/91 2/91 2/91 2/91 2/91
<i>Equity Method</i>					
Canal Club de Distribución de Ocio y Cultura, S.A. Chip Audiovisual, S.A. (†) Factoría Plural, S.L. (†) Nuntium Tv, S.L. (†) Productora Canaria de Programas, S.A. Sociedad Canaria de Televisión Regional, S.A.	Calle Hermosilla, 112. Madrid Coso, 100. Planta 3ª puerta 4-50001. Zaragoza Calle Biarritz, 2. 50017 Zaragoza Avenida Alcaide Ramírez Bethencourt, nº 8, Las Palmas de Gran Canaria Enrique Wolfson, 17. Santa Cruz de Tenerife Avenida de Madrid s/n. Santa Cruz de Tenerife	Catalogue sales. Audiovisual productions for TV. Production, realization and distribution of audio-visual. Realization, execution and broadcasting of audiovisual programs, radio programs and / or podcasts of informative content, entertainment, and other complementary services necessary for their emission through all kinds of technologies. Development of a promotional TV channel for the Canary Islands. Audiovisual productions for TV.	Promotora de informaciones, S.A. Factoría Plural, S.L. Prisa Audiovisual, S.L. (Sociedad Unipersonal) Plural Entertainment Canarias, S.L. Prisa Audiovisual, S.L. (Sociedad Unipersonal) Prisa Audiovisual, S.L. (Sociedad Unipersonal)	25.00% 50.00% 15.00% 45.00% 40.00% 40.00%	2/91 2/91 2/91 2/91

(*) Consolidated tax Group Promotora de Informaciones, S.A.: 2/91
(†) Information to November 2017

KEY FINANCIAL AGGREGATES OF THE COMPANIES ACCOUNTED FOR USING THE EQUITY METHOD

APPENDIX II

INVESTEES	December 2017							
	TOTAL ASSETS	CURRENTS ASSETS	NON CURRENT ASSETS	CURRENT LIABILITIES	NON CURRENT LIABILITIES	EQUITY	OPERATING INCOME	NET PROFIT
<i>(Thousands of euros)</i>								
PRESS								
As Arabia For Marketing, W.L.L.	223	211	12	255	0	(32)	0	(44)
Betmedia Soluciones, S.L. (†)	381	381	0	0	0	381	35	35
Kioskoymás, Sociedad Gestora de la Plataforma Tecnológica, S.L.	968	824	144	979	600	(611)	(47)	(47)
Le Monde Libre (‡)	123,529	2,395	121,134	139,468	0	(15,939)	0	(2,532)
RADIO								
RADIO IN SPAIN								
Laudio Irratia, S.L.	322	239	83	25	28	270	196	29
Radio Jaén, S.L.	1,256	803	454	240	0	1,017	1,220	106
Unión Radio del Pirineu, S.A.	505	476	29	180	0	325	362	(1)
INTERNATIONAL RADIO								
Cadena Radiodifusora Mexicana, S.A. de C.V.	28,457	22,607	5,851	18,246	1,522	8,690	35,089	7,392
Cadena Radiópolis, S.A. de C.V.	5,164	1,538	3,625	(27)	0	5,191	30	106
El Dorado Broadcasting Corporation	501	0	501	1,937	0	(1,437)	0	0
GLR Costa Rica, S.A.	1,330	523	806	200	0	1,129	2,148	117
Green Emerald Business Inc.	1,462	871	592	1,611	5,795	(5,943)	1,746	(706)
Multimedios GLP Chile SPA	972	816	156	2,416	0	(1,444)	2,716	(1,454)
Promotora Radial del Llano, LTDA	120	96	24	75	0	45	86	8
Q'Hubo Radio, S.A.S	133	132	1	443	0	(310)	725	(114)
Radio Comerciales, S.A. de C.V.	2,110	112	1,998	237	873	999	2,258	(41)
Radio Melodía, S.A. de C.V.	1,184	279	905	995	0	188	332	0
Radio Tapatía, S.A. de C.V.	1,175	473	702	895	0	280	451	0
Radiotelevisora de Mexicali, S.A. de C.V.	1,043	744	299	540	35	467	821	0
Servicios Radiópolis, S.A. de C.V.	2,332	2,332	0	1,543	489	300	8,403	120
Servicios Xezz, S.A. de C.V.	429	429	0	387	0	42	1,659	34
Sistema Radiópolis, S.A. de C.V.	50,197	29,117	21,080	16,254	0	33,944	39,839	11,318
W3 Comm Concesionaria, S.A. de C.V.	469	209	260	234	693	(458)	354	(101)
WSUA Broadcasting Corporation	4,317	1,673	2,644	3,087	5,676	(4,446)	470	(23)
Xezz, S.A. de C.V.	279	70	209	161	43	74	147	0
OTHERS								
Canal Club de Distribución de Ocio y Cultura, S.A.	151	151	0	6	0	145	74	74
Chip Audiovisual, S.A. (†)	2,948	2,842	107	1,234	0	1,714	6,412	472
Factoría Plural, S.L. (†)	6,576	6,110	466	4,304	0	2,272	9,420	537
Nuntium Tv, S.L. (†)	12	12	0	0	0	12	(1)	(1)
Productora Canaria de Programas, S.A.	1,089	1,084	4	185	0	904	9	3
Sociedad Canaria de Televisión Regional, S.A.	1,772	1,772	0	361	0	1,411	1,934	457

(†) Information to November 2017

(‡) Information to December 2016

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

Consolidated Directors' Report for 2017

PROMOTORA DE INFORMACIONES, S.A. (PRISA)
AND SUBSIDIARIES
CONSOLIDATED DIRECTOR'S REPORT FOR 2017

1. ORGANIZATIONAL STRUCTURE

Prisa is the world's leading Spanish and Portuguese-language business group in the fields of education, information and entertainment. Present in 25 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 and 133.7 million of unique browsers (Source: Adobe Omniture +Netscape, Jan-Dec'17) 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 three business areas: **Santillana, Noticias and Radio**, all of which are undergoing a process of digital transformation and Media Capital.

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, Libroweb and Bejob.

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 108.4 million unique browsers from throughout the world (Source: Adobe Omniture +Netscape, Jan-Dec'17).

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, 36.6% of the unique browsers of this newspaper are from the Americas and 56.8% from Spain.

Diario As is a leading daily sports newspaper with 45.1 million of unique browsers throughout the world (Source: Adobe Omniture +Netscape, Jan-Dec'17). In 2013, it started to expand internationally and actually have edition in Chile, Colombia, Mexico, Argentina, USA, Peru, South Africa, Singapore and Malaysia. It has an edition in English, AS English, and a global edition for all of America, AS America. Currently, 47.1% of the users of the newspaper are international.

Within the framework of the internationalization strategy, in August 2017 the agreement was announced for the launch of the AS Arabia digital edition, with which Diario AS intends to bring the best information to Arab readers. It is a project that will reach 25 countries in the Middle East and North Africa, from Mauritania to Iraq. This project consolidates the international expansion of Diario AS, which celebrated its 50th anniversary in 2017, and reinforces its position as one of the leaders of the sector.

Radio is the world's largest Spanish-language radio broadcasting group with nearly 23 million listeners and 39.8 million unique browsers online (Adobe Omniture, Jan-Dec'17) and more than 1,000 radio stations, either directly owned or associates, spread out over thirteen 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 (spoken Radio and musical 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.

Lastly, **Media Capital**, a leading media group in Portugal present in the television, radio and audiovisual production businesses, at December 31, 2017 is presented as a discontinued activity in the Group's financial information. This is due to the agreement reached between Prisa and Altice NV for the sale to a subsidiary of Altice of the total Prisa

stake in Vertex - which implies the indirect transfer of Prisa's stake in Media Capital - pending to the mandatory authorization of the Portuguese competition authorities.

2. TARGETS AND STRATEGIES

2.1. 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. The year 2017 has been important to consolidate both teaching models and demonstrate their pedagogical contribution in the countries present. In addition, Norma's operation was consolidated during 2017, bringing more growth to the traditional education business.

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 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 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 **Noticias** business 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 general, the **Group** has gone to great sacrifices 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 in the medium term, in addition to continuing with financial optimization plans and debt reduction plans.

2.2. Financial targets and strategy

As described in the consolidated financial statements of Prisa for 2017, at the end of 2017 the Group's main financial commitment is the maturity of EUR 956.5 million in December 2018, corresponding to Tranche 2 of its financial debt.

During 2016, 2017 and 2018, a series of measures have been taken to deal with this maturity and strengthen the Group's financial and equity structure, such as capital increase and asset sale operations.

In this sense, in April 2016, an issue of necessarily convertible bonds in newly issued common shares was subscribed through the exchange of the company's financial debt, amounting to 100.7 million euros. In October 2017 they have been converted into shares in advance.

In addition, and in order to strengthen the financial structure of the Group, on July 13, 2017, the Board of Directors of Prisa accepted a binding offer put forward by Altice NV for the sale of Vertex, owner of Media Capital for an approximate price in line with the company's best estimates (equity value) of around EUR 321.5 million.

Likewise, the General Shareholders' Meeting held on November 15, 2017 approved a capital increase amounting to EUR 450 million, this amount was subsequently extended in EUR 113.2 million. In February 2018, the capital increase was subscribed and paid out in the amount of EUR 563.2 million.

Furthermore, as of January 22, 2018, the company had signed a framework agreement with all the financial creditors of the *Override Agreement* to refinance and modify the terms of Prisa's current financial debt, adapting the maturity schedule of the bank debt to the cash generation profile of the Group's businesses.

During 2018, the Group will continue to reinforce its capital structure, debt reduction and focusing on cash generation.

3. BUSINESS PERFORMANCE

3.1. Analysis of the evolution and result of business

The Group uses EBITDA to monitor the performance of its businesses and establish operational and strategic objectives for Group companies.

EBITDA is defined as profit from operations plus changes in operating allowances, assets depreciation expenses, impairment of goodwill 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 2017 and 2016 (in millions of euros):

	12.31.2017				
	Education	Radio	Press	Other	Prisa Group
PROFIT FROM OPERATIONS	110.2	28.4	(14.1)	(18.8)	105.7
Depreciation and amortization	53.0	8.2	7.5	1.0	69.7
Change in operating allowances	14.1	2.4	1.1	0.3	17.9
Impairment of goodwill	0.0	0.0	0.8	(0.2)	0.6
Impairment of assets	2.0	2.4	8.7	(0.0)	13.1
EBITDA	179.3	41.4	4.0	(17.7)	207.0

	12.31.2016				
	Education	Radio	Press	Other	Prisa Group
PROFIT FROM OPERATIONS	98.6	28.2	7.1	(34.4)	99.5
Depreciation and amortization	55.4	7.8	7.4	4.4	75.0
Change in operating allowances	14.7	4.6	0.7	8.5	28.5
Impairment of goodwill	0.0	0.4	0.0	0.0	0.4
Impairment of assets	2.2	0.3	0.0	0.2	2.7
EBITDA	170.9	41.3	15.2	(21.3)	206.1

Consolidated Group performance for 2017 was as follows:

- Groups operating income amounted to EUR 1,170.7 million (-1.2%) and EBITDA to EUR 207.0 million (+0.5%). Both figures were positively affected by the foreign exchange rate performance.
- Key highlights in 2017 include:
 - The Latin American operations in Education saw 4.9% income growth in local currency.
 - Radio saw an operating recovery in Spain and Latin America.
 - Growth in digital advertising in Press. Costs have been reduced during the year.
 - Earnings for Media Capital are classified as a discontinued operation due to a binding sale offer being accepted in July 2017 (see notes 1b, 10 and 17 of the consolidated financial statements of Prisa for 2017).
 - The exchange rate performance had a positive impact in 2017: EUR 6.5 million in income and EUR 5.2 million in EBITDA.

Business performance for 2017 was as follows:

- Operating earnings for **Education** amounted to EUR 656.2 million (+2.9% compared to 2016), including a EUR 8.3 million positive exchange rate impact. Excluding the exchange rate impact, income increased compared to 2016 (+1.6%). EBITDA reached EUR 179.3 million (+4.9%). Excluding the exchange rate effect, EBITDA increased +1.5% over 2016 (exchange rate impact of EUR 5.8 million).
 - Campaigns in the south area closed with a solid performance in the most important countries. Brazil stands out with an 18% rise in earnings in constant currency.
 - Campaigns in the north area (mainly Spain and Mexico) saw earnings fall (-9.2% in local currency), mainly due to the Spanish market in 2017 which saw no new products in contrast to 2016. Only Mexico and Ecuador

- increased earnings over the previous year (+3% and +14% in local currency respectively).
- The digital education systems (UNO and Compartir) continued to expand in Latin America, with growth in enrolment to 932,606 students.
 - Norma began consolidation in the Santillana accounts in October 2016. Its contribution to earnings in 2017 was EUR 33 million.
- Operating income in **Radio** reached EUR 280.7 million, below the previous year (-6.8%) in both Spain and Latin America (-6.3% excluding exchange rate effect), and EBITDA came in at EUR 41.4 million, practically in line with 2016 (+0.2%, with a +1.8% change without the exchange rate impact).
 - The drop in earnings compared to 2016 is due to RLM, S.A. (Music business) no longer being in the consolidation framework in 2016 and the closure of the content syndication business in the USA (GLR Networks, LLC), which in 2016 contributed EUR 7.2 million albeit with negative margins.
 - Advertising for Prisa Radio in Spain fell back slightly, with a -0.6% change. Advertising decreased in Latin America by -5.1% (-3.8% excluding the exchange rate effect).
 - Revenue dropped by -4.4% in EUR in Latin America (-2.8% in local currency). The good performance in local currency in Chile and Argentina could not offset the decline in Colombia and the USA.
 - There was a negative exchange rate impact of EUR -1.5 million in revenue and EUR -0.6 million in EBITDA.
 - According to the last EGM, Prisa Radio in Spain maintained its leadership for both generalist and music radio.
 - In the **Noticias** division, operating income came in at EUR 220.6 million (-8.1%). Traditional advertising, circulation and promotions decreased. The rise in digital advertising and cost savings partially offset these impacts. EBITDA was EUR 4 million, decreasing by EUR 11.3 million compared to the same period for the previous year, in part due to higher compensation paid.
 - Revenue was impacted by the effect of the UEFA European Championship and 40th Anniversary of El País in 2016.
 - Advertising revenue was 7.9% lower for the period.
 - Digital advertising rose 4% (representing 46% of all advertising revenue in the division).
 - Traditional advertising fell -16%.
 - Circulation revenue continued to see a 13% decrease.
 - An average of 108.4 million unique visitors was recorded in 2017 (+23%).

- El País strengthened its position as the top Spanish-language newspaper in world media rankings and AS maintained its digital leadership in America.
- **Media Capital** is presented as a discontinued operation. Its revenue reached EUR 165.5 million (-4.9%) in the year and EBITDA came in at EUR 40.7 million (-3.6%). Tight cost controls offset the decline in advertising and value added call business.
 - TVI maintained its 24-hour and prime time leadership, hitting average daily audiences of 22% and 25% respectively for total Television audiences.
 - Media Capital radio maintained its number one position in listeners (Radio Comercial had a 24% share).

Prisa defines the exchange rate effect as the difference between the financial magnitude converted using the exchange rate of the current fiscal year and the same financial magnitude converted using the exchange rate on the previous fiscal year. The following table shows the exchange rate effect on operating income and EBITDA for the Education and Radio business and for the Prisa Group (in millions of euros):

	2017	Exchange rate effect	2017 excluding exchange rate effect	2016	Change excluding exchange rate effect	Change (%) excluding exchange rate effect
Education (*)						
Operating income	656.2	8.3	647.9	637.5	10.3	1.6%
EBITDA	179.3	5.8	173.5	170.9	2.6	1.5%
Radio						
Operating income	280.7	(1.5)	282.2	301.1	(18.8)	(6.3%)
EBITDA	41.4	(0.6)	42.0	41.3	0.7	1.8%
Prisa Group						
Operating income	1,170.7	6.5	1,164.2	1,184.5	(20.3)	(1.7%)
EBITDA	207.0	5.2	201.8	206.1	(4.3)	(2.1%)

(*) Excluding the exchange rate effect of Venezuela.

The Group's **net bank debt** decreased by EUR 64.6 million for the year and came in at EUR 1,421.6 million to December 2017.

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

The following table shows the composition of this indicator as of December 31, 2017 and December 31, 2016:

	Million of euros	
	12.31.17	12.31.16
Non-current bank borrowings	642.2	1,653.5
Current bank borrowings	1,002.6	68.5
Loan arrangement costs	17.3	30.1
Current financial assets	(23.3)	(19.5)
Cash and cash equivalents	(217.2)	(246.4)
NET BANK DEBT	1,421.6	1,486.2

Net bank debt as of December 31, 2016 included EUR 98.5 million from Media Capital and EUR 4.3 million from Vertex. As of December 31, 2017, the net bank debt of Media Capital

stood at EUR 95.5 million and is classified in sections "Assets classified as held for sale" and "Liabilities associated with assets classified as held for sale".

3.2. Market environment

3.2.1. Economic environment in Spain and Portugal

2017 continued to follow the heyday of growth, with positive growth rates in Spain and Portugal, laying the foundations for a new economic environment, after the adversity suffered since the start of the crisis in 2007.

From the third quarter of 2013 onwards a tendency toward change was observed, confirmed in 2014. The growth trend continued in 2015 (+3.2% in Spain and +1.5% in Portugal), 2016 (+3.2% in Spain and +1.2% in Portugal) and 2017 (+3.1% in Spain and +2.6% in Portugal).

- Spanish GDP grew +3.1% for the third year running, according to the National Statistics Institute (INE).
- With regard to Portugal, in 2015 GDP grew +1.8%, growth continued in 2016 reaching +1.5%, while in 2017 it is expected to grow by 2.6% according to the latest forecasts from the Bank of Portugal as at December 2017.

The improvement in the economic environment has had a positive impact on private consumption. Private consumption in Spain grew by +2.4% in 2014, after several years of declines, and continued to grow in 2015 and 2016 by +3.6%. According to FUNCAS, consumption of retail sales was +1.4% in 2017 (data up to November 2017). This slowdown is due to falls suffered by the events in Catalonia, especially during October 2017.

In quarterly terms, according to the information of FUNCAS, there was a steady growth rate of retail sales in 2017: growing in 2017 Q1 by 0.3%, by +2.5% in Q2 and by +1.6% in Q3.

Growth is predicted to decelerate in the last quarter of 2017 due to the events in Catalonia: thus, consumption dropped by -1.2% in October, although it rebounded strongly in November (+2.9%), last data available.

In Portugal, according to the OECD data, private consumption grew by +1.9% in 2017.

3.2.2. Advertising market evolution

Group business is directly exposed to the Spanish advertising market through its Radio, Press and Digital divisions, and through its Portuguese free-to-air TV (TVI), Radio and Digital businesses.

In 2014 advertising investment in Spain grew for the first time since 2010. This trend continued during 2015 (+5.9%), according to public sources (i2P). This improvement continued in 2016, although growth started to decline (+2.9), particularly in the second half of the year. This trend was confirmed throughout 2017, according to the September 2017 report of i2P, because until September the market remained unchanged, largely because of a negative trend in Q2 (a -2.5% drop). According to this source, 2017 is expected to end without any growth in the market with respect to 2016.

The evolution by sector shows that the market has had an uneven performance in 2017: growth has continued in Internet, Radio and Cinema, while Television grows very slowly. On the contrary, Press (including magazines and Sunday supplements) and Outdoor sectors have continued their decline.

In the case of Portugal, according to in-house estimates, the overall market of free-to-air TV advertising has dropped by up to an estimated -1.6% in 2017. Radio market has grown an estimated +9.6% with regard to 2016 (data from September), while growth in the Internet market reached +14%.

3.2.3. *Economic environment in Latin America*

According to the IMF projections (October 2017), in general, the countries where the Group is exposed, have shown growth in 2017 (except for Venezuela and Puerto Rico). Brazil (+0.7%), Argentina (+2.5%) and Ecuador (+0.2%), are returning to growth in relation to the falls suffered in 2016. Other countries continue to show growth, albeit showing signs of deceleration. Thus, Colombia will grow by +1.7% (2.0% in 2016), Chile by +1.4% (1.6% in 2016), Mexico by +2.1% (+2.3% in 2016) or Peru by 2.7% (+4.0% in 2016). Growth will be ongoing in all countries in 2018, at a higher rate than in 2017, according to the IMF projections (October 2017), except for Mexico (which will see growth albeit at a lower rate due to the effect of the renegotiation of the North American Free Trade Agreement and the electoral uncertainty), Venezuela and Puerto Rico. Brazil will see a higher growth rate (it is expected to grow by 1.5%) while the upswing in Colombia (+2.8%), Chile (+2.5%) and Peru (+3.8%) stands out. Argentina expects to see similar growth in 2018 compared to the previous year (+2.5%).

Group revenues in Latin America have been positively impacted by the strong exchange rate in Brazil, Chile and Peru. The appreciation of these currencies has offset the devaluation of the currencies in Mexico and Argentina. The positive impact led the group to report EUR 6.5 million revenue and EUR 5.1 million EBITDA in 2017. As a result, the Group's recurrent revenue in Latin America grew by +3.8%, in comparison with the rise of +2.8% that would have been obtained with a fixed exchange rate. The EBITDA for Latin America grew by +10.8%, compared with the +7.4% that would have been obtained with a fixed exchange rate.

The effect of the volatility in exchange rates for the main Latin American currencies, was more significant during the first half of the year (positive effect of currency appreciation of +25.7 million euros in revenue), while throughout the second half of the year, the effect was negative (currency depreciation with an effect of -19.2 million euros in revenue), but not enough to offset the effect of the first half of the year.

In 2017 the currencies of Brazil, Chile and Peru meant 80% of the impact in EBITDA.

4. OUTLOOK

The media industry is highly sensitive to trends in the main macroeconomic variables (i.e. GDP), consumption and, especially, the advertising cycle. Furthermore, businesses such as Education and Radio with an international presence are affected by changes in the exchange rates of the countries in which they operate. The economic management of these businesses will also be affected by predictable changes in the variables.

According to the IMF (data from October 2017), the growth forecasts for the economies on the Iberian Peninsula remain valid for 2018.

In turn, Prisa's activities and investments in Latin America are exposed to the performance of different macroeconomic inputs in every country, including changes in consumer demand due to a higher or lower growth rate in some countries or the performance of their economies.

According to the IMF (October 2017), growth will be ongoing in all countries where Prisa operates in 2018, at a higher rate than in 2017, except Mexico (which will see growth albeit at a lower rate due to the uncertainties around the renegotiation of the North American Free Trade Agreement and the presidential elections), Venezuela and Puerto Rico. Brazil will see a higher growth rate (1.5%) while the upswing in Colombia, Chile and Peru stands out. Argentina expects to see similar growth in 2018 compared to the previous year (+2.5%).

Group business performance will be affected by economic growth. Group earnings will also be affected by the performance of exchange rates. Group revenues in Latin America in 2017 were positively impacted by the strong exchange rate in Brazil, Chile and Peru. The performance of the exchange rate moderated in the latter six months of the year (negative for the period). There is an expected depreciation of all Latin American currencies for 2018 compared to the previous year.

Another factor which affects future developments is the advertising cycle. Nevertheless, Prisa Group's exposure to the performance of the advertising market is limited due to its diversified revenue mix (advertising revenues accounted for 29.8% of the total in 2017). Businesses that rely heavily on advertising have a high percentage of fixed costs, and consequently any increase in advertising revenues has major implications for earnings, improving the Group's margins and its cash position.

Digital advertising continues to see growth. Effectively, revenues rose by 3.2% in 2017, with press increasing its share of total advertising revenues to 46% (from 41% in 2016). According to data from i2P (October 2017), growth is predicted to continue in 2018.

The advertising market in Spain throughout 2017 remained static (falling -0.3%) according to the i2P report. The same report estimates a return to overall growth for the Spanish market of +1.1% in 2018.

Group advertising revenues in Spain declined -3.0% in 2017, impacted by the 40th anniversary of El País in 2016 and the UEFA European Championship in the same year. Excluding these two events, the decline would have been -0.7% due to less national Radio advertising and declining print advertising in Press. This was partly offset thanks to the

local advertising performance for Radio and digital advertising for Press. Advertising revenues are forecast to grow in line with market growth in 2018 supported by digital expansion, events such as the World Cup and better advertising performance in the Radio division (both national and local).

In Latin America, the Price Waterhouse Coopers (PwC) Global Entertainment and Media Outlook Report 2017-2021 forecasts 3.5% growth in 2017 for the radio advertising market sector. Prisa Radio in Latin America declined -3.8% at constant exchange rates, impacted by the sale of GLR Networks at the end of 2016. Excluding this effect, the decline was -1.6%, impacted by the situation in Colombia. Prisa Radio is expected to see improvements and return to growth in 2018 (especially in Colombia), with growth forecast for the market (+3.6% according to PwC).

In Portugal (which is included in the Group accounts as a discontinued operation), performance in the advertising market in 2017 suffered a slowdown in the terrestrial television sector (-1.6% according to internal estimates), while both radio (+9.6%) and internet (+14%) continued to see growth. In this context, advertising revenue at Media Capital declined 2% compared to 2016, due to the declines in the television sector. The market is expected to rebound in television in 2018 and see continued growth on the internet, while radio is forecast to remain flat. In this sense, growth at Media Capital is expected to outstrip market forecasts.

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 2017 contributed 56.1% of total Group revenues and 86.6% of EBITDA. Revenue of the Group in Latin America expanded +3.8% in the year, partly due to a positive exchange rate effect (+2.8% at constant exchange rate). At constant exchange rates, Education expanded +1.6% thanks to 2017 being a high cycle year for institutional sales in Brazil and the good business performance in Argentina. For this reason, and due to Norma's consolidation throughout 2017 (it began consolidation in October 2016), performance of the campaigns in the south area in general was positive in 2017. The campaigns in the north, however, declined -9.2% at constant exchange rates, being affected by no new products in Spain and by the decline in business in Puerto Rico (hurricane María), the Dominican Republic (lower bids for institutional sales) and the USA (no adoptions in Texas). In turn, the digital education systems (UNO and Compartir) continued to expand in Latin America, with growth in enrolment and turnover (in local currencies). Performance in 2018 will, in terms of Systems, mainly depend on signing up students to UNO and Compartir, the changes in the exchange rates (local currencies are forecast to depreciate) and growth in most countries, except Spain (doubling-up effect, cost-free status in Madrid and purchase of books in Andalusia) and Brazil (low cycle year for institutional sales). Norma is forecast to see continued growth.

Part of Group growth for 2018 will rely on digital expansion. Digital audience numbers rose sharply (133.7 million unique browsers at the end of December 2017, up 16% from the previous year). In 2018, the Company will continue efforts to boost digital growth in all its business lines. Specifically, in Press the focus will remain on fully leveraging the leadership positions of the El País and As newspapers, not only in Spain, but also in the American market.

The Group will remain active in strengthening its balance sheet structure, reducing debt and focusing on cash generation in 2018.

5. MAIN RISKS ASSOCIATED TO THE BUSINESS

The businesses of Group subsidiaries and, therefore, their operation and earnings are subject to risks that may be grouped into the following categories:

- Risks relating to the financial and equity situation.
- Strategic and operational risks

In the Corporate Governance Report (*see Section E*) are detailed specific actions and bodies used to identify, value and manage these risks.

5.1. Risks relating to the financial and equity situation

Financing risk-

The Group's financial obligations are set out in note 12b '*Financial liabilities*' of the consolidated financial statements of Prisa for 2017.

As of December 31, 2017, the Group's net bank debt level stood at EUR 1,421.6 million and represents a series of risks:

- It is more exposed to the economic cycle and market performance, especially in those businesses with a higher exposure to economic cycles.
- It requires part of the cash flow from operations to be put aside to cover payment obligations, interest payments and amortization of the debt principal, hindering the capacity to dedicate these cash flows to cover working capital, investments and finance for future transactions.
- The Group is exposed to interest rate fluctuations in loans financed at variable interest rates.
- It limits the ability to adapt to market changes.
- It places the Group at a disadvantage with regard to less indebted competitors.

In addition, the contracts governing Prisa's debt terms stipulate requirements and commitments for compliance with specific leverage and financial ratios (covenants). The aforementioned agreements contain the provisions regarding cross default, which means that a breach of a specific provision may cause, if the breach exceeds certain amounts, the early maturity and termination of the agreement in question, but also that of the Override Agreement.

As described in the consolidated financial statements of Prisa for 2017, as of December 31, 2017, the main financial commitment has been established for December 2018 for an amount of EUR 956.5 million. This amount is recorded as a current liability on the consolidated balance sheet as of December 31, 2017.

Likewise, as of January 22, 2018, the company had signed a framework agreement with all the financial creditors of the *Override Agreement* to refinance and modify the terms of Prisa's current financial debt, adapting the maturity schedule of the bank debt to the cash generation profile of the Group's businesses.

The effectiveness of this agreement is subject to, among other conditions, debt being cancelled at the time the refinancing comes into effect running to EUR 450 million from proceeds arising from the EUR 563.2 million cash capital increase which has been fully subscribed and paid out in February 2018 and an agreement be reached with financial creditors on the new terms of the Override Agreement not expressly set out in the agreement of January 22, 2018 (*see notes 1b and 27 of the consolidated financial statements of Prisa for 2017*).

The refinancing agreement foresees two alternate scenarios based on whether by June 30, 2018 Prisa has obtained the funds from the sale of Media Capital, which will be used to cancel debt.

In addition, the Lock-up Agreement provides for a limited number of cases for termination that would permit the creditors to exit the binding commitment to support the proposed modifications to the financing regulated in the Override Agreement. These are, by the time of this report: (i) the existence of deadlines for the formalization of the Refinancing Agreement (June 30, 2018, although it could be extended by the majority of participants in the Lock-up Agreement) (ii) material failure by the Company to comply with its obligations under the Lock-up Agreement; (iii) a competent administrative or judicial body issuing an order or resolution that impedes execution of the agreed Refinancing; and (iv) if the Company goes into administration.

In the event that the milestones for the effectiveness of the Refinancing are not met or if for any other reason the Lock-up Agreement is terminated, the Refinancing will not take effect, and the Group would have to settle EUR 956.5 million in December 2018, which would have an impact on the liquidity and continuity of its businesses.

The Directors of the company consider that none of the termination cases will occur.

The Refinancing agreement would reduce Group expose to the risks above although the debt level would remain high.

Media Capital Sale Transaction-

The Prisa Board of Directors accepted a binding offer put forward by Altice NV on July 13, 2017 for the sale of Vertix SGPS, S.A. ('Vertix'), belonging to Grupo Media Capital, SGPS, S.A. ('Media Capital') (*see notes 1b, 10 and 17 of the consolidated financial statements of Prisa for 2017*), with the transaction dependent on the relevant authorization from the Portuguese competition authorities.

This agreement meant an accounting loss was registered at the parent company for EUR 89.3 million (a EUR 76.9 million loss in the consolidated financial statements). The final price will depend on the performance of Media Capital's business up to the date the sale is finalized.

Funds from Media Capital sale will be used to cancel debt, so in case the sale of Media Capital does not occur in the end, the Group's financial situation will be negatively impacted.

Equity situation of the Group's parent Company-

As of December 31, 2017, 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 46,279 thousand, below two thirds of total share capital, although representing over half of share capital. In this sense, the company has an imbalanced equity situation in terms of the obligation to reduce share capital in the period of one year.

The Directors of the Company have planned a series of strategic measures and activities that aim to strengthen and optimize the company's financial and shareholder equity structure, including capital increase for an amount of EUR 563.2 million, which was fully subscribed and paid out in February 2018 (*see notes 1b and 27 of the consolidated financial statements of Prisa for 2017*). The subscription and registration of this capital increase in February 2018 has reestablished the equity situation of the Parent Company.

Credit and liquidity risk-

The adverse macroeconomic situation with major declines in advertising and circulation has had a negative impact on the Group's ability to generate cash flow over recent years, mainly in Spain. Businesses which rely heavily on advertising have a high percentage of fixed costs, and any decline in advertising revenues has major implications for margins and the cash position, making it difficult to implement additional measures to improve Group operating efficiency. As of December 31, 2017, advertising revenue represented 29.8% of Group operating income.

Likewise, the nature of the Education business means that there are concentrated periods of collections around certain dates, mainly during the final months of each year. The aforementioned creates seasonality in Santillana's cash flow. While the seasonality of the Group's cash flow is not significant, so far as the flows coming from the various business units largely compensate each other and thereby mitigating the seasonality effect, the aforementioned could lead to certain cash tensions during the periods in which the collections are structurally lower.

In terms of the commercial credit risk, the Group assesses the age of the debt and constantly monitors the management of receivables and processing of arrears.

The Group exhaustively monitors receivables and payables associated with all its activities, as well the maturities of financial and commercial debt and repeatedly analyses other financing methods in the aim of covering planned cash requirements in the short, medium and long-term.

Non-controlling interests in cash generating units-

The Group has significant non-controlling interests in cash generating units including education and radio businesses. Likewise, Santillana is obliged to pay on an annual basis its non-controlling shareholders (25% of share capital) a preferential set fixed dividend to the Prisa dividend.

Exposure to interest rate hedges-

The Group is exposed to changes in interest rates as around 60.3% of its bank borrowings bear interest at floating rates. The Group currently has no derivative contracts for interest rates.

Exposure to exchange rate hedges-

The Group is exposed to fluctuations in exchange rates mainly due to financial investments made in stakes in American companies, as well as revenue and profits from said investments.

In this context, and in the aim of mitigating this risk, if there are credit lines available the Group adheres to the practice of formalizing hedge contracts for exchange rate variations (mainly forex insurance, 'forwards' and options on currencies) based on its monthly analyzed forecasts and budgets, in order to reduce volatility in operations, results and cash flows of subsidiaries operating overseas.

Tax risks-

The Group's tax risks are related to possibly different interpretations of the rules that the relevant tax authorities may make, as well as to the changes in tax rules in the different countries in which the Group operates.

As of December 31, 2017, the consolidated Group had active tax credits amounting to EUR 332.8 million; of these, EUR 291.6 million corresponded to the tax consolidation group whose parent company is Prisa.

In accordance with current Group business plans, the Board of Directors deem recovery of active tax credits according to the criteria established in the accounting regulation likely, although there is the risk that the ability to generate positive tax bases may not suffice to recover the active tax credits arising from the negative tax bases from previous financial years, from limiting the deductible nature of financial expenses and amortizations, as well as from tax deductions.

Intangible assets and goodwill-

As of December 31, 2017, the company had intangible assets recorded on its consolidated balance sheet amounting to EUR 110.8 million and goodwill of EUR 167.6 million. The analysis of the value of these assets and goodwill used estimates made to date, based on the best available information. It is possible that events which could occur in the future make it necessary to modify these estimates down. In this event, the impact of these new estimates in valuing intangible assets and goodwill will be registered on the future consolidated income statement.

5.2. Strategic and operational risks*Macroeconomic risks-*

The evolution in macroeconomic variables affect to the Group business performance in Spain and America.

In the 2017 financial year, 55% of Group operating income came from international markets. Nevertheless, Spain continues to be the Group's main geographical market (representing 45% of Group operating income).

The main consumer figures in Spain saw major declines in the past that have affected, and may continue to do so if growth comes in below forecasts, spending by Group customers on its products and services, including advertisers and other clients of Prisa content offers.

With regard to Prisa's business and investments in Latin America, we should state that it is the highest risk region among developing nations due to its links with the United States and China, especially when it comes to Brazil and Chile, where the economy is dependent on commodity exports to China and the United States, among others.

Macroeconomic declines could negatively affect the Group's position in terms of earnings and cash generation, as well as the value of Group assets.

Decline in the advertising market-

An important part of Prisa's operating income comes from the advertising market, mainly in its press and radio businesses. As of December 31, 2017, advertising revenue represented 29.8% of Group operating income. Spending by advertisers tends to be cyclical and reflects the general economic situation and outlook.

If macroeconomic figures worsen in the countries where the Group operates (especially GDP), the spending outlook for advertisers could be negatively impacted. Given the large fixed expenses component linked to businesses which rely heavily on advertising, any decline in advertising revenues directly affects operating profits and, therefore, the Group's ability to generate cash.

Changes occurring to the tradition media business-

Press revenues from the sale of copies and subscriptions continue to be negatively impacted by the growth of alternative distribution media, including free news websites and other content.

Along the same lines, the proliferation of alternative digital communication, including social networks or news aggregators, has had a notable impact on the options available to consumers, thus resulting in a fragmentation of the audience. Moreover, the proliferation of these new players means an increase in the inventory of digital advertising space available to advertisers, and which affects, and is expected to continue affecting, the Group's Press and Radio businesses.

Moreover, the digital advertising business itself is subject to constant change. The emergence of digital advertising networks and markets, especially, disruptive methods of advertising auctions, such as Real-time bidding, is allowing advertisers to develop more personalized advertising and is putting downward pressure on prices.

Likewise, there is a proliferation of technologies and applications that allow users to avoid digital advertising on web pages and mobile applications, and for smartphones that visit.

If the Group's businesses do not manage to successfully adapt to the new demands of consumers and to new business models, there could be a material adverse effect on the Group's income and results.

Competition risk-

Prisa's businesses operate in highly competitive sectors.

Competition between companies offering online content is intense in the Press and Radio businesses, and the Group is fighting for advertising against traditional players and new content providers and news aggregators.

In the Education business, the Group also competes against traditional players and smaller businesses, online portals and digital operators offering alternative content and methodology. Moreover, students often head to cheaper content sources, file and document exchanges over different platforms, websites, 'pirate' copies or second-hand material.

The ability to anticipate and adapt to the requirements and new demands from customers may impact the competitive position of Group businesses with regard to other competitors.

Country risk-

Prisa operations and investments may be affected by different risks that are typical to investments in countries with emerging economies or with unstable backdrops, such as currency devaluation, capital controls, inflation, expropriations or nationalizations, tax changes or changes in policies and regulations.

Regulatory risk-

Prisa operates in regulated sectors and, therefore, is exposed to regulatory and governmental risks that could negatively impact the business.

Specifically, the radio business is subject to having franchises and licences for its activity, while the education business is subject to public policies applied by the governments of the countries where the Group operates. Therefore, the Education business could be affected by legislative changes, changes in the contracting procedures of public administrations, or the need to obtain prior administrative authorization with respect to the content of publications. Curriculum changes force the Group to modify its education contents, which requires making additional investments and so there is the additional risk that the return on these investments will be less than expected.

Furthermore, Prisa businesses are subject to many regulations in terms of fair competition, control of economic mergers or anti-monopolistic legislation at a global or local level.

Risk of concentration of sales in the public sector-

The main customers in the Group's Education business are the governments and public bodies in the various jurisdictions where it operates. In 2017, 18.9% of the operating

income of the Education business (20.1% in December 2016) came from institutional sales, with a particularly high concentration existing in Brazil.

This dependence on public administrations could represent a risk for the results and business of the Group if the economic situation of these countries deteriorated, if there were changes in regulations or in public policies.

Digital transformation process-

The businesses where the Group operates are in a permanent process of technological change. Recent technological progress has introduced new methods and channels for content distribution and use. This progress then drives changes in consumer preferences and expectations.

In order to maintain and boost competitiveness and business, Prisa needs to adapt to technological progress meaning research and development are key elements. Digital transformation imply several risks such as developing new products and services to respond to market trends, losing of value of contents within a digital environment, importance of technology to develop digital business or resistance to technological change in businesses of the Group.

Technology risk-

The businesses in which the Group operates depend, to a greater or lesser extent, on information technology ("IT") systems. The Group offers software or technology solutions through web-based platforms.

IT systems are vulnerable to a set of problems, such as malfunctioning hardware and software, computer viruses, hacking and the physical damage sustained by IT centres. IT systems require regular updates, and it is possible that the Group cannot implement the necessary updates at the right time or that updates might not work as planned. Moreover, cyber-attacks on Prisa's systems and platforms could result in the loss of data or compromise customer data or other sensitive information. Major faults in the systems or attacks on their security could have an adverse effect on Group operating profits and financial conditions.

In this regard, the Group has externalized with Indra Sistemas, S.A. ('Indra') its information technology management service and the development of innovative projects at some Group companies. If this service provision ceases, Group operations could be impacted.

Litigation and third-party claims risk-

Prisa is involved in important litigation and is also exposed to liability for the content in its publications and programs. Moreover, when running its activities and businesses, the Group is exposed to potential liabilities and claims in the area of employment relations.

Data protection-

The Group has a large amount of personal data at its disposal through development of its businesses, included those related to employees, readers and students. Therefore, the

Group is subject to data protection regulations in different countries where it operates. Any violation of these regulations could have an adverse impact on the Group's business.

Intellectual property-

The Group's businesses depend, to a large extent, on intellectual and industrial property rights, including the brands, literary content or technology developed internally by the Group, among others. Brands and other intellectual and industrial property rights constitute one of the Group's pillars of success and ways to maintain a competitive advantage. However, there is the risk that third parties might, without the Company's authorization, attempt to unduly copy or obtain and use the content, services and technology developed by the Group.

In addition, in order to use third-party intellectual property rights, the Group has non-exclusive paid-for permission from management companies servicing the owners of these rights.

Likewise, recent technological advances have greatly facilitated the unauthorized reproduction and distribution of content through diverse channels, thereby hindering the execution of protection mechanisms associated with intellectual and industrial property rights.

6. NON-FINANCIAL INFORMATION

The present non-financial information reporting has been prepared in line with the requirements established in Royal Decree-law 18/2017, of November 24, which modifies the Commercial Code, the revised text of the Companies Act of Capital approved by Royal Legislative Decree 1/2010, of July 2, and Law 22/2015, of July 20, of Audit of Accounts, in matters of non-financial information and diversity. The guidelines on the submission of non-financial reports by the European Commission (2017/C 215/01) derived from Directive 2014/95/EU have also been considered in its preparation. Likewise, the provisions of the Guide for the preparation of sustainability reports of the Global Reporting Initiative (GRI Standards) have been taken into account.

In this context, through the non-financial information reporting Prisa aims to inform on environmental, social and personnel issues and in relation to the human rights relevant to the company in the execution of its own business activities.

6.1. Governance bodies

In accordance with the corporate legislation, the Annual Corporate Governance Report is part of this Management Report and has been drawn up by the Board of Directors. The Annual Corporate Governance Report specifies the different components of the Corporate Governance of Prisa and is accessible at www.prisa.com.

Notwithstanding the foregoing, some of the most outstanding elements of Prisa's corporate governance are outlined below.

6.1.1 Governance bodies

Operation of the governance bodies and the company's decision making process are described in detail in the Annual Corporate Governance Report. The Annual General Meeting and the Board of Directors are the highest governance bodies of the Company.

The main changes in Prisa's Board of Directors in 2017 were:

- Succession of the Chairman of the Board of Directors: Last October, the Board of Directors launched the succession of the Chairman, Mr. Juan Luis Cebrián Echarri. After considering other alternatives and candidates, the Board of Directors at its meeting held in December 2017 finally accepted the resignation of Mr. Juan Luis Cebrián Echarri as director and Chairman, and appointed Mr. Manuel Polanco Moreno, at the time manager and Deputy Chairman, as non-executive Chairman of the Board of Directors of Prisa with effect from January 1, 2018.
- Succession of the CEO: In June 2017 Mr. Manuel Mirat Santiago was appointed CEO, in substitution of Mr. José Luis Sainz Díaz, with effect from September 4, 2017. Since January 1, 2018 and after the succession of the Chairman, Mr. Manuel Mirat holds the office as chief executive officer of Prisa.
- Reorganization of the Board of Directors: During 2017, a reorganization of the composition of the Board of Directors was carried out, with 9 outgoing directors and 6 incoming new directors, including the succession of the CEO, which has also led to a reconfiguration of the composition of all Board committees. The succession of the Chairman took place with effect from January 1, 2018.

In February 2018 the Board of Directors appointed an independent director, Mr. Javier Monzón de Cáceres, as non-executive Deputy Chairman of the Board of Directors.

This reorganization is linked to the changes to the Company's Chairmanship and to capital operations executed in the last months.

In accordance with the Regulations of the Company's Board of Directors and with the provisions of the Corporate Enterprises Act, the Board has exclusive competence over certain corporate general policies and strategies and over certain decisions (including, the strategic or business plan, annual management objectives and budget, investment and financing policy, fiscal strategy, risks control and management, approving financial reporting, approving financial projections, dividend policy, stock policy, strategic alliances of the Company or its controlled companies, defining the Group's structure, corporate governance policies and corporate social responsibility policies, general policy of remuneration, appointment and removal of managers, investments and operations of any kind that, due to their high amount or special characteristics, are considered strategic or of special fiscal risk for the Company, approval of creation or acquisition of interests in special purpose vehicles or entities resident countries or territories that are treated as tax havens, agreements related to mergers, divisions or relevant decisions that might affect the Company as a listed company, approving related-transactions, annual assessment of the operation of the Board of Directors, etc.).

Without prejudice to the powers given to the CEO, the Board of Directors has a Delegated Committee that has delegated all of the powers and competences of the Board susceptible of being delegated.

CEO's management rests on the members on the Management Committee, the members of which are key senior management.

Senior management is appointed by the Board, on the proposal of the CEO, upon report of the Appointments and Remunerations Committee, and shall report directly to the CEO.

The Board of Directors of Prisa has also created three other Committees, with powers reserved to their respective areas: (i) Audit, (ii) Corporate Governance and (iii) Appointments and Remunerations. The functions and composition of these Committees are included in the Annual Corporate Governance Report.

Composition of the Board of Directors

As of December 31, 2017 the Board of Directors of Prisa was formed by fourteen directors, of which three were executive, four were nominee, six were independent and one was an external director.

As from January 1, 2018 the composition is as follows: one executive director, five nominee directors, six independent directors and one external director, all with different academic backgrounds and outstanding professional careers.

The company has a Directors' Selection Policy, the principles and objectives of which can be summarized as follows: i) diversity in the composition of the Board, ii) right balance in the Board as a whole, looking for the appointment of people that help pursue diversity of knowledge, experience, origin and gender and iii) in 2020 the number of women directors represents, at least, 30% of total Board members.

The Board of Directors is composed of highly qualified professionals and good professional and personal repute, with capacities and competences in various fields and sectors that are of interest to the Company and coming from different countries.

In accordance with recommendation 14 of the Code of Good Governance of the CNMV (which sets that the "appointments committee shall verify annually compliance of the directors' selection policy and shall inform about it in the annual corporate governance report") the Appointments and Remuneration Committee has verified that, throughout 2017, the principles, objectives and procedures provided for in the Directors' Selection Policy have been taken into account, although due the events occurred this year regarding the rearrangement of the Board, the objective of women directors representing 30% of the total Board members had not been achieved.

The Appointments and Remunerations Committee shall carry out the appropriate work over the next months to ensure that the practices and measures to be taken up in the near future enable improvement in this area.

6.1.2 Compliance and Code of Ethics

Compliance Unit

Prisa's Compliance Unit is a collegiate body with autonomous powers of initiative and control, and is composed of the general secretary, the Internal Audit director and the Human Resources director. The tasks of this unit, which functionally reports to the Audit Committee, include watching over and promoting compliance of all rules applicable to the Group's activities, that is to say: current legislation, Code of Ethics of Prisa and internal organizational rules. Its duties also include the identification, management and mitigation of the enforcement risks of such regulation.

The Compliance Unit also assumes the functions of the Criminal Prevention Body, as provided for in the Criminal Code.

Furthermore, the main business units of the Group have their own Compliance Unit.

When developing its mandate, the Compliance Unit promotes a preventive culture based on the principle of "zero tolerance" towards the commission of unlawful acts and the application of ethical and responsible behavior principles to all professionals within the Group, regardless of their hierarchy level and of the country in which they work. For that purpose it regularly informs the Corporate Governance Committee of its activities and decisions related to the RIC (Internal Code of Conduct for Matters Relating to the Securities Markets), and of any incidents concerning the Code of Ethics, so that such Committee can monitor compliance of the Company's governance rules and, consequently, makes the proposals necessary for improvement (function assigned to it by the Regulations of the Board of Directors).

In 2017 the implementation and follow-up of the company's criminal prevention model was consolidated, mainly driven by the Compliance Unit of Prisa.

The Compliance Unit of Prisa is responsible for the final interpretation of the Code of Ethics and the RIC, and must solve doubts or queries raised on its application or content.

Code of Ethics

The Code of Ethics of Prisa comprises a catalogue of principles and rules of behavior covering the actions of the companies in the Group and all of their employees (members of the governance bodies, executives, workers, students on work experience and internships, irrespective of the legal basis of the employment or service relationship, their level in the hierarchy, their geographical or functional location, and the Group company to which they provide their services) so as to ensure ethical and responsible behavior in their work.

The Code takes up certain general ethical principles (such as human rights and public freedoms, professional development, equal opportunities, non-discrimination and respect for people, occupational health and safety, and environmental protection), as well as general rules of conduct on the following areas:

- Compliance with standards and professional conduct;
- Use of resources and media in the course of professional activity;
- Conflicts of interest and client relations with the Group;

- External activities and non-competition: this is reinforced by the Competition Policy that was approved by the Company in 2017;
- Internal control and anti-corruption: this is reinforced by the Anti-corruption Policy that was approved by the Company in 2017 and by the Gifts Policy and Guidelines on Money laundering, approved in 2016;
- Corporate image and reputation;
- Relations with stakeholders;

Professionals subject to the Code of Ethics must report any incidents or queries involving thereof to their line managers or Human Resources Division, which will be responsible for dealing with them.

The Code of Ethics, available in Spanish, English and Portuguese, has been notified and disseminated among all Group employees to which it applies.

In 2017 the Prisa Communication Division continued to carry out the internal communication plan of the Code, its basic principles and some of its relevant matters, supervised by the Compliance Unit of Prisa. Specifically, the importance of actions in social media, data protection, conflicts of interest, defence of competition and anticorruption have been highlighted in 2017.

The Code of Ethics will be published in full on the company's website, www.prisa.com, and on the Prisa Group intranet, *Toyoutome*.

Internal Code of Conduct for Matters Relating to the Securities Markets (RIC)

The Internal Code of Conduct for Matters Relating to the Securities Markets (RIC) sets down the standards of behavior that must be followed when acting in matters related to the securities markets. It contains rules on immediate and accurate transmission of relevant corporate information to the market, in order to avoid undue use of privileged information and to solve potential conflicts of interest.

This internal code of conduct is applicable to the members of the Board of Directors and to senior executives, and to executives of the corporate headquarters and other executives and employees of the Group who have access to privileged information and it is so determined. The RIC is communicated to all people covered by it, who must sign accordingly and agree to be bound by it.

The Compliance Unit of Prisa, supported by the Group's General Secretary, monitors compliance of the code of conduct set out in the RIC.

Whistleblower's Channel

Prisa has a drop box to receive and handle reports on irregularities and breaches of external and internal rules in issues affecting the Group, its employees or its activities. The channel is managed by the Prisa Compliance Unit, which periodically reports to Prisa's Audit Committee.

The Whistleblower's Channel is available on the corporate intranet *Toyoutome* or through a post-office box. Through these routes any employee can report on any irregularity or

breach of internal and external rules in a confidential and anonymous way. There is also a confidential Whistleblower's Channel for third parties, available on the corporate website.

Group mechanisms are available to disseminate the existence and operation of the Whistleblower's Channel, mainly through Prisa's intranet and website, where employees and staff from outside the company can check the rules governing its functioning.

In 2017 the Whistleblower's Channel and the possibility of reporting irregularities and breaches through it have been recalled in all communication activities concerning the Code of Ethics and the Compliance Unit that were carried out by the Corporate Communication Division.

As to reports of breaches, in 2017 the whistleblower's channel received the following:

Total number of reports received in the year	16
Total number of reports addressed in the year	18*
Total number of unfounded reports received	9

**Two reports were received in 2016 and their analysis was completed in 2017*

Additionally, in 2017, 6 corruption incidents were identified, which have concluded with two dismissals, one non-renewal and two voluntary resignations. The sixth incident was unfounded.

6.2. Human resources

6.2.1. 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.

In 2017, the Compliance Unit (constituted in 2016) was consolidated as an authority to disseminate the objectives and policies throughout the Group and encourage a culture of compliance, as well as a means to prevent and to manage noncompliance.

6.2.2. Working conditions

Both the Group's recruitment and the training policies focus on the adaptation of employees to the profiles that are necessary to achieve the digital transformation in which we are immersed. This, along with commitment of professionals, is reflected again in a voluntary turnover rate of 6%, specifically 6% for men and 7% for women.

New recruits represent 13% of the total staff, of which 51% correspond to men and 49% to women.

As to the type of contract, from Prisa's total staff, 93% have a fixed contract and 7% a temporary contract.

The following chart shows the percentage of final employees per type of contract as of December 31, 2017:

	Temporary+Eventual+RCT* Contract		Fixed+RCF** Contract	
	Men	Women	Men	Women
Subtotal	58%	42%	54%	46%
TOTAL	7%		93%	

(*)RCT: Temporary trade representatives

(**)RCF: Fix trade representatives

Our wide geographic presence requires all companies of the Group to promote respect of the labour rights enacted by the International Labour Organisation, especially those related to equality, non-discrimination for reasons of sex, race, ideology, or beliefs, and of the regulations of the relevant agreements and countries in which it operates.

Except for certain executive positions, and in accordance with the laws in force in each country, 63% of the staff is covered by the agreements of their countries and in the case of Spain it's 99%. These agreements offer improvements in working conditions of employees, so that they can develop their jobs in a stimulating and competitive work environment.

Employees have trade union freedom and the Group promotes the necessary social dialogue to develop its business. Prisa sets minimum advance notice periods for structural/organisational changes in accordance with the time limits set out in the legislation in force or in the applicable collective agreements of the different countries.

6.2.3. 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).

The training expense reflected in the income statement amounted to EUR 736 thousand, 52% in Spain and the rest international. During the year 39,178 hours have been taught, with an average of 4 hours of training per person.

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 2017 the users registered in Prisa Campus grew by 468 new users, it was possible to quantify a total of 2,176 registered students and in total there were 374 students who finished some of the courses and modules offered.

6.2.4. *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.
- Commitment to create positive work environments, prevent harassment behaviors and pursue and solve cases that occur.

With regard to the distribution of men and women in the workforce, the number of final employees as of December 31, 2017 in Prisa was 8,785, of which 3,977 (45%) were women and 4,808 (55%) were men.

Likewise, of the total of 374 management positions as of December 31, 2017, 32% were occupied by women.

6.2.5. 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 2017, the Joint Prevention Service has finished 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.

Specifically, 86% of the Group's employees in Spain are represented in formal joint health and safety committees, although 100% are covered by the joint prevention service. Likewise, globally, 42% of the Group's employees are represented in this type of committee.

Regarding the indicators of accidents¹, during 2017 there were 78 work accidents (32 men and 46 women). The rate of absenteeism of the Prisa Group is 1.77%. Furthermore, the severity index was 0.16, incidence 8.89 and frequency 4.75.

6.2.6. 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 2017, 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.

¹ Absenteeism rate: (Total number of hours of absenteeism / Total number of hours worked) x 100; severity index: (Number of days lost / Number of hours worked) x 1,000; frequency index: (Number of accidents with sick leave / Total number of hours worked) x 1,000,000; and incidence rate: (No. accidents with sick leave / average number of workers) x 1000

Thanks to the various policies and actions regarding reconciliation that have been carried out in the Group, 97% of employees have rejoined after their maternity or paternity leave (100% of men and 95% of women).

6.3. Environment

Prisa is committed to the development of its business activities respecting the environment, in order to reduce costs and the impact that its operations have on the environment.

The Group's Environmental Safety Policy includes a series of basic application principles to provide safe products and services that respect the environment during its life cycle, contributing to the continuous improvement of its activities:

- 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 evaluation carried out indicates that, in any case, the Group does not have any responsibilities, expenses, assets, provisions and contingencies of an environmental nature that might be material in relation to our equity, financial condition and results of operations.

6.3.1. Consumption control

Material consumption

The most significant consumption figures of the group are those associated with printing activities and therefore, as can be seen in the following chart, the most relevant consumption for Prisa is paper.

Suppliers working with the group have to comply, as a basic premise, with all legal and environmental criteria for paper production and almost all of them can produce paper holding PEFC certification (Pan-European Forest Certification) or FSC (Forest Stewardship Council), guaranteeing control in the paper chain.

Prisa respects responsible management from start to finish in the paper consumption cycle. In the case of Spain and Portugal, consumption management is centralised and 62% of paper consumption originates from recycled raw materials, obtained from recovery operations carried out by authorised managers, with a return rate of 9% of the raw materials.

Material	Consumption (tonne)	% of consumed that is sent for recycling or recovery	Renewable
	2017	2017	
Paper	75,601.55	32.04%	Yes
Ink	629.01	0.00%	No
Cardboard	247.03	100.00%	Yes
Aluminium plates	160.65	100.00%	Yes
Adhesive	33.00	0.00%	No
Plastic	10.00	100.00%	Yes

In accordance with the information sent by different suppliers, carbon intensity, expressed in kilograms of CO₂ equivalent per tonne of consumed paper is 481.54 in Spain.

In a sector environment characterised by content and format digitalization, actions are being carried out to reduce our paper consumption progressively. These actions are being conducted in Argentina, Colombia, Peru, Guatemala, Honduras, El Salvador or Portugal. In Mexico paper consumption has been centralised, with a decrease in consumption.

Water consumption

In 2017 Prisa's water consumption reached 236,905.3 m³, mainly coming from the municipal network.

Power consumption

Total consumption of the organization in 2017 reached 381,001 GigaJulios (GJ), mainly associated with fuel and electricity consumption, as detailed below:

		Consumption GJ ²³	Energy Intensity (GJ/€MM)
		2017	2017
Electricity consumption		246,255	210.35
Fuels	Natural Gas	15,106	12.903
	Diesel	119,640	102.195

² Energy consumption is converted to GJ and to Tonnes CO₂eq using the Conversion Figure: DEFRA (Department for Environment, Food & Rural Affairs - GOV.UK)

³ Consumption information is based on suppliers' invoices.

6.3.2. Emission control

Prisa measures and monitors emissions derived from its activities. To address these needs and to extend measurement of such emissions, the Corporate Purchase Division collects the information on employees' travels, as this is the only significant source of emissions amongst the activities developed by Prisa.

The information of 2017 emissions is reported in accordance with the Scope of emissions, which is defined by the GHG Protocol (Greenhouse Gas Protocol) standard.

	Tonne CO ₂ eq ²
Scope 1 (Fuel Consumption Emissions)	10,621.39
Scope 2 (Electric Energy Consumption Emissions)	20,858.58
Scope 3 (Indirect Emissions)	37,398.58

The different business units of Prisa have carried out in 2017 different initiatives to reduce energy consumption, one of the most noteworthy of which is the replacement of light sources for more efficient technologies in the different countries in which Prisa operates, resulting in energy savings with respect to the previous year of 1,377 GJ, which converted into CO₂eq emissions results in a saving of 126,187 tonnes of CO₂eq.

Emissions intensity for 2017 was 58.87 tonnes of CO₂ equivalent per million euros invoiced.

6.4. Sustainability

Since its inception, Prisa works with the firm commitment to promote cooperation and global solidarity to build a better world, and this vocation is fully in line with the New Sustainable Development Goals (SDGs). In 2017 we continued to work hand-in-hand and in coordination with the Food and Agriculture Organisation of the United Nations (FAO) and the United Nations Educational, Scientific and Cultural Organization (UNESCO).

As well as processing and disseminating news on important issues such as poverty, climate change, global health or education as engines for development, in December 2017 an International Human Rights Forum was held, organised by El País, FAO and the Spanish chapter of the UN's Global Compact, to commemorate the International Day of Human Rights.

Prisa works towards the defence of freedom of expression, conscience, human rights and sustainable development, as an integral part of the Group as a whole from its conception. It promotes it, on an ongoing basis, through its content, but also develops intense social, cultural and environmental actions through different initiatives and own projects, and it participates in relevant social platforms and organizations which promote these same values.

As proof of this, Prisa is an active member of the United Nations' Global Compact through its Spanish Chapter. It is committed to the Ten Principles that are promoted by this organisation: human rights, anti-corruption, labour rights and environmental protection. Prisa is member of its Executive Committee, by actively supporting all its initiatives and

developing joint specific projects to promote the debate and disseminate 2030 SDGs. In 2017 we renew our commitment, as happens every year.

7. RESEARCH AND DEVELOPMENT ACTIVITIES

The Group is constantly adapting applications and management processes to changes occurring in its businesses and technological changes. It participates in and is a member of various international and domestic associations and forums which enable it to identify any improvements or opportunities to innovate and develop its services, processes and management systems.

During 2017, the business unit of **Noticias**, continued to drive the video, mobility and content distribution areas through the different market platforms.

El País continued to advance in mobility, therefore in May 2017, in connection with the French presidential elections, a system based on augmented reality technology was put in place, which allowed to know the late-breaking information and follow results in *Facebook Messenger*.

During the first half of 2017 El País HD project was completed, which received funding by the Innovation Fund of *Digital News Initiative* (Google), with the ultimate goal of developing a video production and distribution platform that responds to the audience's needs up-to-the-minute. In July 2017, the initiative *VR-Infographics* was awarded an important part of the Innovation Fund to boost the creation of a computer graphics production platform distributed through different types of channels: printed, digital, video, 360 video and virtual reality immersive environments.

Video format is one of the main pillars of digital development for the heading of Prisa News; if, at first, efforts were concentrated in developing a production line of content to open media to new narratives, 2017 worked on the life cycle of video in a comprehensive manner. The turning point was the integration in April of a YouTube adaptation *player* specific for media as own *player*. This initiative, considered in the context of collaboration with *Digital News Initiative*, is accompanied by lower storage operational costs, momentum to multicast development and reaching new audiences, and a significant improvement of the operating conditions for advertising inventory, enabling direct sale through the YouTube channel as well and, therefore, new income-generating opportunities. Consequently, video plays in the El País channel have increased fivefold in the last quarter of 2017, by comparison to the figures of the first quarter, prior to the deployment of this new technology.

In July 2017, El País and AS pioneered ways of tackling the migration of its web architecture to the HTTPS protocol, which was designed for secure data streaming between Internet servers and customers. Besides protecting data, it protects users against external frauds and guarantees privacy.

During the last half of the year, the strategic plan of creating an increasingly robust relationship with our users, through a more personalized editorial and commercial offer, has led to the development of alerts and *push* notifications, targeted to the interests of readers, which will be definitely possible in 2018. Likewise, in October 2017, a new news

recommendation system, specific for each reader was launched, thanks to the work performed by the Data area, replacing the commercial solution in place to date.

AS continues its commitment to mobility and since mid-2016 all editions are published in *responsive format*.

In November 2016, AS was selected within 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 was developed in 2017 and is now in the deployment phase, training editors and producing news. The tool, which uses *big data* to obtain football analysis in real time will offer readers bits of information and computer graphics based on statistics quickly and intuitively.

Within the scope of its international expansion efforts, the new pan-Arab portal is being developed, as was announced in August 2017. The Qatar communication group Dar Al Sharq and Diario As will jointly launch in 2018 As Arabia to offer sporting coverage to 25 countries in Middle East and North Africa.

In 2017, **Radio** continued its efforts to position its products in the digital media ecosystem, seeking to lead the development of online audio in all its markets.

Thanks to the financing of the Google DNI (Digital News Initiative) Fund, a groundbreaking project on transcription and distribution of digital audio was also launched: the Hertz Project.

And, at the same time, the efforts made to transform the core or main systems of the Company, especially within the commercial area, should be highlighted.

The main lines of progress in 2017 were:

- The **redesign of the sites** of five talk and three 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).
- **Improving the applications** of LOS40 (launched in December 2016) and Cadena SER (launched in January 2017) that improve user interaction and consumption of multimedia content. 7-radius applications have also been launched using the enterprise application development platform Replicapp.
- Launch of the **new player** for music radio (both in Spain and America), which enables consumption of live audio and programmes on demand in the same environment (OnePlayer project). In the case of LOS40 it incorporates four telematic online radios that were launched in May.
- A global podcast network in Spanish, with its own web, app and multidistribution in digital audio aggregators, **Podium Podcast** was launched. In its first year of operation it notched over ten million downloads.
- Deployment of a **new audio measurement and monetisation platform** on demand, which gives better knowledge and commercial exploitation of podcast

consumption and audio on demand (completed in Spain and Argentina and on-going in the other markets).

- In order to improve audio search results and increase content consumption, **advanced functionalities for content transcription and recommendation** were launched on Cadena SER (Project Hertz), which was financed by the Google's Innovation Media Fund.
- Significant progress was made in the **update of the broadcast platform** in Spain and Colombia (HD version deployment), developing parallel capacities in broadcasting certification.
- Greater development of the **commercial management system**, with implementation in Spain and Colombia, and start of the development of the platform, which allows to support the new commercial management model. It seeks a higher efficiency in processes, improves analytical capacities and provides access to information to customers and commercial agents.

With regard to **Education**, Santillana maintained its focus on the role of technologies in its offers, but always together with education and with the methodological formulas that take part in the current change in schools. The most significant initiatives of 2017 were as follows:

- The project **Set Veintiuno**, Santillana's proposal to educate the citizens of the twenty-first century through the development of skills and competences that students need to have to gain better personal and professional fulfilment in the Society of Internet and Knowledge; it has been conducted in Spain through the Experience Nurseries <http://sites.setveintiuno.com/viveros/>. The five programmes of Set Veintiuno (Learn to Think, Enterprising, The Value of Things, Programming Things, Switched on Computing) worked with 5,160 students and 233 teachers of 44 schools of Spain and Latin America. The conclusions and lessons learned allowed us to orient the advertising campaigns in the different countries as marketing began for Set Veintiuno (Spain, Colombia, Argentina or Mexico).

The purpose of the event Set Veintiuno Expedition was to introduce a new educational paradigm to educational professionals: the "Habilidades del siglo XXI" (or *21st Century Skills*). This paradigm is based on the research of international organisations such as UNESCO or the 21 International Skills Development Consortium, and is based on educational reforms in countries like the United Kingdom or the United States. Participants at the event experienced, through several educational challenges, the benefits of incorporating the development of these skills to classrooms. The expert in education, Carlos Magro, closed the experience by sharing a reflection done by Santillana and published on the free *whitepaper* "21 skills VEINTIUNO". Expeditions took place at cultural institutions that carry out a significant work in the approach to culture, innovation and education for the general public, such as the Auditorio de Casa del Lector (Madrid), Espacio Laboratorio de las Artes of Valladolid LAVA (Valladolid), Centro Cultural Espai Rambleta (Valencia), Centro La Cascada (Tenerife) or the Teatro de las Esquinas (Zaragoza).

Also in relation to Set Veintiuno, the product catalogue continues to grow, with programmes such as Learn to Be for Primary Education, Learn with Chess for the second cycle of Primary Education, Learn in Minecraft for Primary Education and

STEAM or Communicate Projects for Secondary Education. All of these programmes will be completed throughout 2019.

- The third **SantillanaLab** call was 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. Throughout this call we followed the thinking outlined in previous editions, and Santillana's strategic interest, such as for example the role of educational videos, or the impact of new languages and new formats; we also continued with the debate on the impact of culture maker at schools, and included new areas of interest such as the Open Educational Resources (OER), or the role of large technology companies in classrooms and educational centres. But beyond these strategic areas, SantillanaLAB contributes to an ongoing educational debate, generating spaces for calm reflection and conversation. SantillanaLAB is open to the different dimensions within the educational community (centres, executive teams, teachers, students, families) and to experts and external organisations with diverse backgrounds, which are assuming a central role in the implementation of innovation in the area of education. On the other hand, as part of our role within research and knowledge of trends in the educational sector, we continue to keep a close eye on the information obtained from own spaces such as IneveryCREA or SantillanaLAB, but also from those information, documentation and event services that take on and analyse in depth all changes taking place at schools. It is ultimately about value creation of what we see and experience, forwarding it to the rest of the organization and facilitating understanding for the business.

8. LIQUIDITY AND CAPITAL RESOURCES

8.1. Financing

Note 12b "*Financial Liabilities*" of the accompanying notes to the consolidated financial statements of Prisa for 2017 provides a description of the use of financial instruments by the Group.

8.2. Contractual commitments

Note 15 "*Operating Expenses- Operating leases*" and note 25 "*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.

8.3. Dividends policy

Prisa does not have a set dividend policy, and so the Group's distribution of dividends is reviewed annually. In this respect, the distribution of dividends depends mainly on (i) the existence of profit that can be distributed and the Company's financial situation, (ii) its obligations regarding debt servicing and those arising from commitments acquired with its financial creditors in the Group's financing contracts –as described below under this item–, (iii) the generation of cash arising from its normal course of business, (iv) the existence or non-existence of attractive investment opportunities that could generate value for the Group's shareholders, (v) the Group's reinvestment needs, (vi) the implementation of Prisa's business plan, and (vii) other factors Prisa should consider relevant at any given time.

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.

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, 2017, Promotora de Informaciones, S.A. held a total of 270,725 treasury shares, representing 0.305% of its share capital.

Treasury shares are valued at market price at December 31, 2017 (2.56 euros per share). The total amount of the treasury shares amounts to EUR 694 thousand.

At December 31, 2017, 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, 2017 consisted of 88,827,363 ordinary shares. These shares are listed on the Spanish stock exchanges (Madrid, Barcelona, Bilbao and Valencia).

During 2017, 10,491,405 new shares were issued with regards to the early conversion of the bonds issued in accordance with the Annual General Meeting of 2016 requested by all the holders of said bonds

Main shareholders in the Company's share capital in 2017 were Amber Capital, HSBC, Telefónica, Rucandio, International Media Group, Consorcio Transportista Occher S.A, Bank Santander, Caixabank and Berggruen. Free float stood at around 19%.

After the closing of 2017, in February 2018, a capital increase was subscribed in an amount of EUR 563.2 million, agreed at an amount of EUR 450 million at the General Shareholders' Meeting on November 15, 2017 and, subsequently, expanded by the Board of Directors of Prisa on January 22, 2018, for EUR 113.2 million.

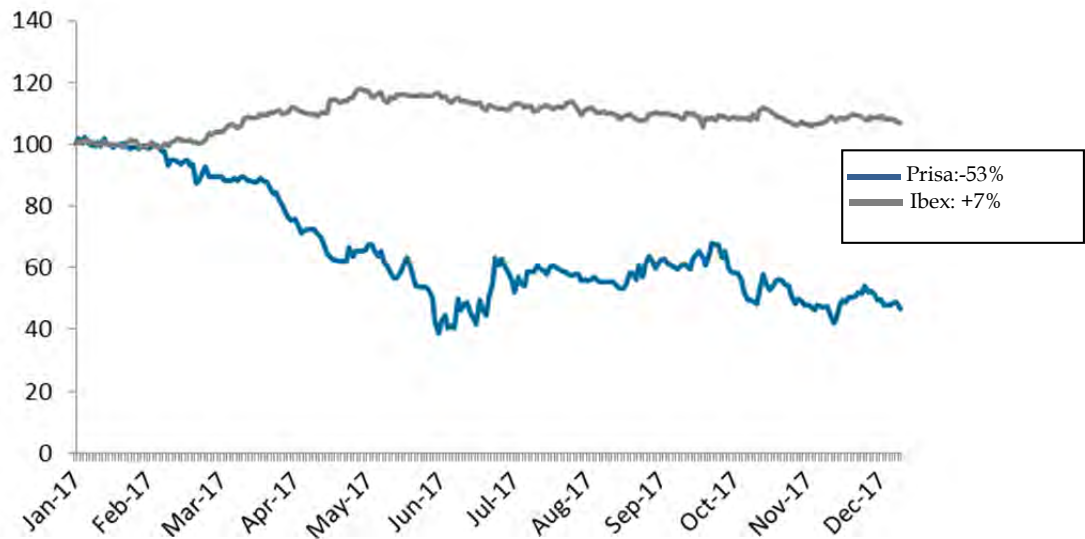
Share price performance

Prisa ordinary shares started 2017 trading at a price of EUR 2.93 per share (January 2, 2017) and ended the year at EUR 1.37 per share (December 29, 2017), implying a devaluation of 53%.

Prisa's share price performance in 2017 has been conditioned to the Company capital structure and financial structure.

During 2017, the Company's Directors have taken a series of measures to strengthen the Group's financial and equity structure, which include among others, a refinancing agreement to refinance and extend maturities until 2022 (announced in January 2018) and the execution of a cash capital increase amounting EUR 563 million which has been fully subscribed and reimbursed in February 2018.

The following chart shows the performance of the Prisa Group's shares relative to the IBEX35 index in 2017, indexed in both cases to 100:



Source: Bloomberg (January 2, 2017- December 29, 2017)

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 2017, to 81 days.

The maximum legal period of payment applicable in 2017 and 2016 under Law 3/2004, of 29 December, for combating late payment in commercial transactions, is by default 30 days, and 60 days maximum if particular conditions are met with suppliers.

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

As of January 16, 2018, the company had signed a framework agreement with most of its financial creditors, the Lock-up Agreement, which governs the basic terms and procedure to follow to refinance and modify the terms of Prisa's current financial debt. From that date and up to January 22, 2018, the remaining financial creditors signed up to the Lock-

up Agreement, whereby on the date these consolidated Director's report were drafted, all financial creditors in the Override Agreement had signed said framework agreement.

The basic terms of the Refinancing agreed with all creditors contain the following main agreements:

- (vi) Extension of the debt maturity date to November and December 2022.
- (vii) The payment schedule does not set out obligatory amortizations during the first three years from January 16, 2018 to December 2020, with a later repayment schedule adjusted to the expected cash generation of Prisa group businesses.
- (viii) The reallocation of debt currently recorded at Prisa to bring it closer to the education business taking advantage of its cash flow capacity.
- (ix) The partial modification of the package of debt guarantees.
- (x) The agreement sets out an initial repayment of EUR 450 million to be made out of funds from the capital increase approved by the Annual General Meeting held on November 15, 2017, to be made at the time the refinancing comes into effect.

The Lock-up Agreement sets out a limited number of termination situations that would enable creditors to dissolve their commitment to support the modifications proposed for the financing regulated in the Override Agreement, and that as of the date of these consolidated Director's report are: (i) the existence of a deadline to reach an agreement with the financial creditors on the new terms of the Override Agreement not expressly provided for in the Lock-up Agreement (June 30, 2018, although it could be extended by the majority of participants in the Lock-up Agreement); (ii) material incompliance by the company with its obligations arising from the Lock-up Agreement; (iii) a relevant administrative or legal authority issues an order or resolution that impedes the execution of the agreed Refinancing, and (iv) the company possibly being put into administration.

The Directors of the company consider that none of the termination cases will occur.

In addition, on January 22, 2018 the Prisa Board of Directors unanimously approved a capital increase with preferential subscription rights for EUR 113.2 million.

Both the capital increase for EUR 113.2 million and the increase approved by the Annual General Meeting of Shareholders on November 15, 2017 for EUR 450 million had been fully subscribed and paid out in February 2018.

13. ANNUAL CORPORATE GOVERNANCE REPORT

(See Appendix I)

APPENDIX I: ANNUAL CORPORATE GOVERNANCE REPORT



English translation for information purposes only. In case of discrepancies between the Spanish original and the English translation, the Spanish version shall prevail.

ANNUAL REPORT ON CORPORATE GOVERNANCE

LISTED COMPANIES

FINANCIAL YEAR: 31.12.2017

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
17/11/2017	83,497,721.22 €	88,827,363	88,827,363

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	-	16,043,730	18.06
RUCANDIO, S.A.	-	13,729,811	15.46
TELEFONICA, S.A.	10,228,745	-	11.52
INTERNATIONAL MEDIA GROUP, S.A.R.L	6,400,000	-	7.20
GHO NETWORKS, S.A. DE CV	-	6,297,076	7.09
HSBC HOLDINGS PLC	-	12,827,135	14.44
BANCO SANTANDER, S.A.	1,074,432	2,172,434	3.66
FUNDACION BANCARIA CAIXA D ESTALVIS I PENSIONS DE BARCELONA	-	2,997,879	3.37
DON NICOLAS BERGGRUEN	6,115	947,433	1.07

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	OVIEDO HOLDINGS, SARL	1,431,471
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	12,827,135
BANCO SANTANDER, S.A.	GROUP SANTANDER 'COMPANIES	2,172,434
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
HSBC HOLDINGS PLC	22/11/2017	Reached 10% of share capital
AMBER ACTIVE INVESTORS LIMITED	22/11/2017	Dropped from 15% of share capital
ABANTE ASESORES, S.A.	29/11/2017	Dropped from 3% 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	288,686	48,330	00.31%
MANUEL POLANCO MORENO	8,597	23,841	00.04%
MANUEL MIRAT SANTIAGO	12,438	0	00.01%
ROBERTO LÁZARO ALCÁNTARA ROJAS	14,265	0	00.02%
JOSEPH OUGHOURLIAN	0	16,043,730	18.06%
KHALID BIN THANI BIN ABDULLAH AL-THANI	0	6,400,000	07.20%
WAALED AHMAD IBRAHIM ALSA'DI	0	0	00.00%
DOMINIQUE D'HINNIN	0	0	00.00%
JOHN PATON	133	0	00.00%
FRANCISCO JAVIER GOMEZ-NAVARRO NAVARRETE	1,333	0	00.00%
FRANCISCO JAVIER MONZÓN DE CÁCERES	40,000	0	00.05%

JAVIER DE JAIME GUIJARRO	0	0	00.00%
JOSE GRANCISCO GIL DIAZ	0	0	00.00%
SONIA DULÁ	8	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
JOSEPH OUGHOURLIAN	AMBER CAPITAL UK LLP	16,043,730
KHALID BIN THANI BIN ABDULLAH AL-THANI	INTERNATIONAL MEDIA GROUP SARL	6,400,000

Total % of Voting Rights controlled by the Board of Directors	27.86%
---	--------

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 Oviedo Holdings, SARL, Amber Active Investors 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: 7.71%

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: 2.89%

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: 15.46%

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
270,725	0	0.31%

(*) 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.

On treasury stock policy, the Shareholders' Meeting held on June 22, 2013 passed the following resolution regarding the derivative acquisition of own shares,:

"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 on December 31, 2017, the current powers conferred to issue shares, upon the Board of Directors at the Shareholders' Meeting, are the following:

- i. Delegation of powers to the Board of Directors to implement the resolution of share capital increase by way of monetary contributions for a nominal amount of EUR 352,500,000.00, through the issue of 375,000,000 new ordinary shares of EUR 0.94 of nominal and a share premium of EUR 0.26 each and for an effective total amount of EUR 450,000,000 (including nominal amount and share premium), with preferential subscription rights and foreseeing the possibility of incomplete subscription. The resolution is to be executed within a maximum period of one year from the date of its adoption by the Extraordinary Shareholders Meeting held on November 15, 2017, after which, if it has not been executed, the resolution shall be null and have no effect.
- ii. Delegation of powers to the Board of Directors to implement the resolution of share capital increase by way of a compensation of credits for an amount of EUR 47,000,000.00, through the issue of 50,000,000 new ordinary shares of EUR 0.94 of nominal and a minimum share premium of EUR 1,06 each and foreseeing the possibility of incomplete subscription. The new shares may be subscribed and paid for by the Company's profit participating loan creditors listed in the resolution, or by any person who, by the time of the execution of this resolution, has replaced any of the creditors in accordance with the provisions included in the corresponding financing agreements. The resolution is to be executed within a maximum period of one year from the date of its adoption by the Extraordinary Shareholders Meeting held on November 15, 2017, after which, if it has not been executed, the resolution shall be null and have no effect.
- iii. The General Shareholders' Meeting of November 15, 2017, approved an extraordinary incentive plan linked to the Company's recapitalization and financial stabilization (the "Extraordinary Incentive"), consisting in delivery free of charge of 1,600,000 ordinary shares of the Company to the previous Chief Executive, Mr. Juan Luis Cebrián Echarri. The purpose of the Extraordinary Incentive is to foster and reward the performance of the Chief Executive in the configuration, preparation, negotiation and implementation of the Company's recapitalization plan consisting in the monetary capital increase totalling a cash amount of 450 million euros, with recognition of the preferred subscription right (the "Recapitalization Plan").

The delivery of the shares in accordance with the Extraordinary Incentive will accrue at the moment that the Recapitalization Plan is completed, subject to the satisfactory conclusion of the sale of Media Capital and the obtaining of a favourable report on the reasonableness of the capital increase resolved by the General Shareholders' Meeting of 15 November 2017 and the adjustment of the price of the shares with respect to normal and usual conditions of the market (fairness opinion).

In the event that the capital increase resolved by the General Shareholders' Meeting of 15 November 2017 is subscribed in less than 85% of the total foreseen amount of the increase proposal -- the special case of incomplete subscription--, the Board of Directors, at proposal of the Appointments and Remunerations Committee, will determine if the Recapitalization Plan has been completed or not, in which case, the Payment Data is that of the resolution of the Board (which will occur within 90 calendar days following the date of admission to trading of the new shares).

The settlement of the Extraordinary Incentive and the delivery to Mr. Cebrián of the entirety of the shares planned in this will take place within the 90 natural days following the date of accrual of the Extraordinary Incentive -- i.e., the date on which the new shares derived from the capital increase referred to in the Recapitalization Plan are admitted for negotiation in the Spanish Stock Markets--, in the terms and conditions that, on proposal of the Committee of Appointments and Remuneration, the Board of Directors may establish, who will determine the precise date of delivery of the shares. For the purposes of this resolution, the "Date of Award of the Shares" shall be understood as the date on which the corresponding stock exchange operation has been completed.

Mr. Cebrián makes a commitment not to dispose of (or lock-up) the shares received in accordance with the Extraordinary Incentive, which will last (i) regarding the one-third of the shares received,

until a year is completed from the Date of Delivery of the Shares; (ii) regarding the other one-third of the shares received, until two years have been completed from the Date of Delivery of the Shares; and (iii) regarding the remaining one-third of the shares received until three years are completed from the Date of Delivery of the Shares.

Likewise, the Extraordinary Incentive is subject to termination. Hence, if the Recapitalization Plan is not completed before June 30, 2018, or on that date, then the Extraordinary Incentive will not take effect.

It will be a requirement for the delivery of the shares that are accrued in the context of the Extraordinary Incentive that Mr. Cebrián will remain in the Group at the moment of its delivery, except for special cases (e.g. death, disability or retirement), either as a member of the board, or a senior manager employed by or associated with the Group by a service relationship.

The shares to be awarded may be Prisa's own shares held as treasury stock that may have been acquired or are acquired both by Prisa itself or any company of the Prisa Group, or shares from any other financial instrument determined by the Company as advisable, subject to the fulfilment of the legal requirements in place. The Company's Board of Directors is authorized, to develop, formalise, execute and liquidate the Extraordinary Incentive as applicable and when and in the manner in which it deems convenient. This Extraordinary Incentive was approved at the Extraordinary Shareholders Meeting held on November 15, 2017. If the recapitalization plan to which is linked this extraordinary incentive is not completed on or before 30 June 2018 this resolution shall be rendered void.

- iv. 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.
- v. 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.
- vi. 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.
- vii. 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	22.13

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 depository 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 depository 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 depository institution holding the aforementioned ADS (Citibank NA) for the direct delivery of the corresponding shares and their consequent trading on the Spanish stock exchanges.

As of December 31, 2017 the number of ADSs was 1,129,386.

ii) “PRISA Warrants 2013”: In the context of the refinancing of the Company’s bank debt, that was 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.

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:

Attendance Statistics					
Date of Shareholders' Meeting	% physically present	% represented by proxy	% distance voting		Total
			Vote by electronic means	Others	
30 June 2017	17.63%	59.45%	0.00%	0.00%	77.08%
15 November 2017	9.51%	66.62%	0.00%	0.00%	76.13%

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
---	----

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) AGMs 2017 v) AGM 2016; vi) AGM 2015, and vii) 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
MANUEL MIRAT SANTIAGO	EXECUTIVE	CEO	30 June 2017	30 June 2017	COOPTATION
ROBERTO ALCANTARA ROJAS	PROPRIETARY	DIRECTOR	24 February 2014	28 April 2014	APPOINTED AT THE ANNUAL SHAREHOLDERS' MEETING
JOHN PATON	INDEPENDENT	DIRECTOR	24 February 2014	28 April 2014	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
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
FRANCISCO JAVIER GOMEZ-NAVARRO NAVARRETE	INDEPENDENT	DIRECTOR	20 November 2017	20 November 2017	COOPTATION
FRANCISCO JAVIER MONZÓN DE CÁCERES	INDEPENDENT	DIRECTOR	20 November 2017	20 November 2017	COOPTATION
JAVIER DE JAIME GUIJARRO	INDEPENDENT	DIRECTOR	20 November 2017	20 November 2017	COOPTATION

JOSE FRANCISCO GIL DIAZ	OTHER EXTERNAL	DIRECTOR	20 November 2017	20 November 2017	COOPTATION
SONIA DULÁ	INDEPENDENT	DIRECTOR	20 November 2017	20 November 2017	COOPTATION

Total Number of Board Members	14
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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
BLANCA HERNANDEZ RODRIGUEZ	INDEPENDENT	5 June 2017
JOSE LUIS SAINZ DÍAZ	EXECUTIVE	4 September 2017
GLEN RICHARD MORENO	INDEPENDENT	14 November 2017
JOSE LUIS LEAL MALDONADO	INDEPENDENT	15 November 2017
GREGORIO MARAÑÓN BERTRÁN DE LIS	OTHER EXTERNAL	15 November 2017
ALAIN MINC	INDEPENDENT	15 November 2017
ERNESTO ZEDILLO PONCE DE LEON	INDEPENDENT	15 November 2017
MARIA ELENA PISONERO RUIZ	INDEPENDENT	15 November 2017
ALFONSO RUIZ DE ASSIN CHICO DE GUZMAN	INDEPENDENT	15 November 2017

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 EXECUTIVE CHAIRMAN OF PRISA AUDIOVISUAL
MR. MANUEL MIRAT SANTIAGO	CEO

Total Number of Executive Directors	3
% of the Board	21.43%

EXTERNAL DIRECTORS REPRESENTING SIGNIFICANT SHAREHOLDINGS

Director's Name	Name of Significant Shareholder Who He/She Represents or Who Proposed His/Her Appointment
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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.À.R.L.
MR. WAALED AHMAD IBRAHIM ALSA'DI	INTERNATIONAL MEDIA GROUP, S.À.R.L.

Total number of external directors representing significant shareholdings	4
% of the Board	28.57%

INDEPENDENT EXTERNAL DIRECTORS

MR. DOMINIQUE D'HINNIN	FINNACIAL ADVISOR
MR JOHN PATON	JOURNALIST
FRANCISCO JAVIER GOMEZ-NAVARRO NAVARRETE	BUSINESSMAN AND POLITICIAN
FRANCISCO JAVIER MONZÓN DE CÁCERES	ECONOMIST. BUSINESS ACTIVITY (FINANCE AND TECHNOLOGY)
MR. JAVIER DE JAIME GUIJARRO	LAWYER
MRS. SONIA DULA	ECONOMIST

Total number of independent external directors	6
% of the Board	42.86%

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.

The director Mr. Dominique D'Hinnin provided advisory services to the Chairman and the Chief Executive Officer, in relation to the Company's Refinancing Plan, for €50,000 per half-year (a total of €100,000 in 2017).

The Board of Directors considers that the advice Mr. D'Hinnin provides to PRISA does not compromise his independence as a director, as the remuneration he receives for this work is not material for him.

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. JOSE FRANCISCO GIL DIAZ	Mr. Francisco Gil Díaz was Executive Chairman of Telefónica Mexico until June 2016. Telefónica Mexico is a subsidiary of Telefónica, S.A. and a significant shareholder of PRISA, so for the purposes of section 4 of article 529 <i>duodecies</i> of the Capital Companies Act, Mr. Gil cannot be considered an independent director of the Company.	TELEFONICA, S.A.

Total number of other external directors	1
% of the Board	7.14%

If applicable, indicate any changes that have occurred during the year in each director's status:

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 2017	Year 2016	Year 2015	Year 2014	Year 2017	Year 2016	Year 2015	Year 2014
Executive	0	0	0	0	0.00	0.00	0.00	0.00
Proprietary	0	0	1	1	0.00	0.00	20.00	33.33
Independent	1	2	1	1	16.66	22.22	16.66	12.50
Other External	0	0	0	0	0.00	0.00	0.00	0.00
Total:	1	2	2	2	7.14	11.76	13.33	12.50

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
The Company 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.

In addition, 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.

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

The Board of Directors Regulation provides that *“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”*.

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 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.

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

The Nominations and Compensation Committee understands that the number of female directors must be higher than the current, so the Committee will pay special attention to remedy the lack of female 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:

The Nominations and Compensation Committee has verified that, during 2017, the principles, objectives and procedures established in the Directors Selection Policy have been taken into account in relation to proposals for ratification and /or appointment of directors, which have been the following:

- i. Ratification of the appointments by co-optation of the independent director, Mr Dominique Marie Philippe D’Hinnin, and of the external proprietary director, Mr Waleed Ahmad Ibrahim AlSa’di, at the Ordinary Shareholders’ Meeting on June 30, 2017.
- ii. Appointment of Mr Manuel Mirat as a director and CEO, and proposal to ratify his appointment at the Extraordinary Shareholders’ Meeting in November 2017.
- iii. Appointment by co-optation of the independent directors Javier Monzón, Javier Gómez- Navarro,

Javier de Jaime, Sonia Dulá and the “other external director”, Francisco Gil, at the November 20, 2017 Board meeting.

- iv. Appointment of Manuel Polanco Moreno as Board Chairman, resolved by the Board of Directors in December 2017.

The board understands that the Directors Selection Policy deserves an special consideration and a thought for the future.

Although in the selection processes that were carried out in 2017 several female candidates were taken into account, finally only D^a Sonia Dulá was selected.

Having two female directors left their position during 2017, the Company currently has one only female director, Mrs. Sonia Dulá, who represent 5,88% of the fixed number of board members (that is 17) and 7.14% of directors at December 31, 2017 (that is 14).

Even when this circumstance does not imply a formal breach of the Director Selection Policy since, as aforesaid, in the selection processes other female candidates has taken into account and no discrimination has taken place, having been adopted the decisions that the board has considered more appropriate for the corporate interest considering the specific circumstances occurring at the decision moment, the board understands that a review of its policy and actions need to be done for in order to improve the gender diversity for the future.

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, on December 31, 2017, 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 18.06% 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 7.09% 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 7.20 %in the share capital of PRISA.

Finally it is noted that on December 31, 2017, Mr Manuel Polanco Moreno was a Director representing significant shareholders at the instance of Timon, S.A and he also had the status of executive director, as long as he had a contract as executive responsible for the audiovisual area of the Group.

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
BLANCA HERNANDEZ RODRIGUEZ	Ms. Hernández stated that her personal and professional circumstances were likely, in the near term, to make it especially difficult for her to fulfil her duties and responsibilities as a director with the necessary commitment.
JOSE LUIS SAINZ DIAZ	The Company reached an agreement with Mr. Sainz to start a succession plan for him as Chief Executive Officer.
GLEN RICHARD MORENO	Mr. Moreno stated that certain events that occurred in the Company related to the succession of the president, prevented him from continuing on the Board.
ERNESTO ZEDILLO PONCE DE LEON	Mr. Zedillo stated that certain circumstances in the Company prevented him from properly exercising his functions.

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	ON DECEMBER 31, 2017, HE HAD BEEN DELEGATED ALL POWERS OF THE BOARD OF DIRECTORS EXCEPT THOSE THAT CANNOT BE DELEGATED BY LAW
MR MANUEL MIRAT SANTIAGO	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	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	NO

		OFFICER	
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	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
MANUEL MIRAT SANTIAGO	GRUPO MEDIA CAPITAL, SGPS, S.A.	DIRECTOR	NO
MANUEL MIRAT SANTIAGO	DIARIO EL PAIS, S.L.U	CEO	YES
MANUEL MIRAT SANTIAGO	PRISA NOTICIAS, S.L.U.	CHAIRMAN	YES
MANUEL MIRAT SANTIAGO	NOTICIAS AS MÉXICO, S.A. de C.V.	DIRECTOR	NO
MANUEL MIRAT SANTIAGO	DIARIO AS, S.L.	CHAIRMAN AND CEO	YES
MANUEL MIRAT SANTIAGO	DIARIO AS COLOMBIA S.A.S.	DIRECTOR	NO
MANUEL MIRAT SANTIAGO	PRISA AUDIOVISUAL, S.L.U.	DIRECTOR	YES
MANUEL MIRAT SANTIAGO	PRISA DIVISION INTERNACIONAL, S.L.U,	JOINT AND SEVERAL DIRECTOR	YES
MANUEL MIRAT SANTIAGO	PRISA PARTICIPADAS, S.L.U	JOINT AND SEVERAL DIRECTOR	YES
MANUEL MIRAT SANTIAGO	PRISA RADIO, S.A.	DIRECTOR	NO
MANUEL MIRAT SANTIAGO	SOCIEDAD ESPAÑOLA DE RADIODIFUSION	DIRECTOR	NO
MANUEL MIRAT SANTIAGO	PLURAL ENTERTAINMENT CANARIAS, S.L.U	SOLE DIRECTOR	YES
JOHN PATON	DIARIO EL PAIS, S.L.	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
MANUEL MIRAT SANTIAGO	GRUPO MEDIA CAPITAL, SGPS, S.A.	DIRECTOR
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 INTERNATIONAL ISLAMIC BANK	DIRECTOR
WAALED AHMAD IBRAHIM ALSA'DI	MEDICARE GROUP	DIRECTOR
JOSE FRANCISCO GIL DIAZ	BOLSA MEXICANA DE VALORES	DIRECTOR
JOSE FRANCISCO GIL DIAZ	FIBRA DAHNOS	DIRECTOR
JOSE FRANCISCO GIL DIAZ	BBVA BANCOMER	DIRECTOR
FRANCISCO JAVIER MONZON DE CÁCERES	FERROGLOBE PLC	DIRECTOR
DOMINIQUE D'HINNIN	EUTELSAT COMMUNICATION	CHAIRMAN
DOMINIQUE D'HINNIN	EDENRED	DIRECTOR
FRANCISCO JAVIER GOMEZ-NAVARRO NAVARRETE	TECNICAS REUNIDAS, S.A.	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 €)	9,812
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
GUILLERMO DE JUANES MONTMETERME	CFO
XAVIER PUJOL TOBEÑA	SECRETARY GENERAL AND LEGAL COUNSEL
MIGUEL ANGEL CAYUELA SEBASTIAN	CHIEF EXECUTIVE OFFICER OF GRUPO SANTILLANA
BARBARA MANRIQUE DE LARA	CORPORATE COMMUNICATIONS, MARKETING & EXTERNAL RELATIONS DIRECTOR
IGNACIO SOTO PÉREZ	CHIEF REVENUE OFFICER
ANDRES CARDÓ SORIA	CEO PRISA RADIO
ROSA CULLEL	CEO MEDIA CAPITAL.
VIRGINIA FERNANDEZ IRIBARNEGARAY	INTERNAL AUDIT DIRECTOR
Total Senior Management Salaries (in Euros 000)	4,462

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

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 (10.71%) AND INDIRECT (2%) 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	JOSEPH OUGHOURLIAN IS THE MAYORITY PARTNER OF AMBER CAPITAL MANAGEMENT LP, WHICH OWNS AMBER CAPITAL UK HOLDINGS LIMITED, WHICH OWNS AMBER CAPITAL UK LLP. AMBER CAPITAL UK LLP ACTS AS INVESTMENT MANAGER OF OVIEDO HOLDINGS SARL, AMBER ACTIVE INVESTORS LIMITED, AMBER GLOBAL OPPORTUNITIES LIMITED.
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.

FRANCISCO GIL DIAZ	TELEFONICA, S.A.	FRANCISCO GIL IS DIRECTOR OF TELEFONICA MEXICO, SUBSIDIARY OF TELEFONICA, S.A.
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C.1.18. Indicate if the Board Regulation has been amended during the year.

YES

The Board of Directors held on 13 October 2017 agreed approved the amendment of the Board of Directors Regulations, in order to enable the exercise of the powers and faculties of the Deputy Chairman of the Board of Directors within the different corporate bodies, as well as to adapt the wording of the Board of Directors Regulations to the new wording given to the Company’s Articles of Association on 30 June 2017, with regard to the quantitative and qualitative composition of the Audit Committee, and to incorporate technical improvements in the current text of the Board of Directors Regulations.

The Board has also approved a consolidated text of the Board of Directors Regulations, solely for the purposes of including the amended articles and in order for all the provisions of the Regulations to be included in a single document.

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-option 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
As a consequence of the results of self-assessment of the Board of Directors corresponding to the fiscal year 2016, the Corporate Governance Committee considered that there was no need for major changes in the procedures applicable to the its activities.

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 on the results of the assessment of 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 the operation and methodology of the Boar and of the Committees on which they sit. In the evaluation they are asked about strategic planning, operational and financial supervision and other aspects of corporate governance. 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 directors complete a questionnaire prepared by the Chairman of the Corporate Governance Committee and with the answers of the questionnaire the Chairman of the Corporate Governance Committee takes the evaluations carried out by the directors and prepares a report with conclusions and with the improvements to be proposed to the Board.

In this process, in relation to the evaluation for 2016, 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	12
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	1
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Indicate the number of meetings held by the Board's committees:

Committees	Number of Board Meetings
Delegated Commission	5
Audit Committee	7
Compensations and Nominations Committee	11
Corporate Governance Committee	10

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	9
% of attendances with respect to the total number of votes during the year	97.79

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.

There are no such mechanisms in the company.

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
XAVIER PUJOL TOBEÑA	

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.

In relation to the mechanisms established to preserve the independence of external auditors, 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.

With respect to the others (financial analysts, investment banks and rating agencies) there is no any mechanism established).

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)	280	422	702
Amount paid for non-auditing services / Total amount invoiced by the auditing firm (%)	48.6	23.5	29.6

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	27	26

	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
<p>Article 32 of the Board Regulations includes the following procedure:</p> <p>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.</p> <p>Such advice must necessarily relate to specific problems of a degree importance and complexity that arise</p>

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
<p>The Board Regulations of PRISA contain the following provisions:</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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, among which the sending of documentation to directors enough in advance, is included.</p>

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

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:

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.

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.

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 (being the "control" defined by the contract as: the acquisition by one or more people acting in concert of more than 30% of the share capital with voting rights).

In the event that such event of default occurs, the debt would be accelerated and its payment would be enforceable from that moment.

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: 16

Type of Beneficiaries: As of December 31, 2017, there were the following beneficiaries: 3 executive directors, 6 senior managers and 7 managers of Grupo PRISA other than senior managers.

Description of the agreement:

Retirement benefit for Mr. Juan Luis Cebrián Echarri (Executive Chairman and director until January 1, 2018):

The contract signed between the Company and the former Chairman, Mr. Juan Luis Cebrián Echarri, provided that for each of the years 2014, 2015, 2016, 2017 and 2018, he was entitled to an annual contribution of 1,200,000 euros, as retirement benefit, for a total amount of 6,000,000 euros, which would be deliverable in all cases, even in the event of early termination of the contract. As indicated in previous sections of this report, Mr. Cebrián's contract was terminated effective 1 January 2018 and the Company paid this retirement benefit in full to Mr. Cebrián in January 2018. As provided in Mr. Cebrián's contract with the Company, in the event of early termination of the contract, payment of the retirement benefit would not be compatible with any other type of indemnity. 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.

Indemnification for unjustified dismissal:

The contracts of Mr. Manuel Mirat Santiago (CEO), Mr Manuel Polanco Moreno (Executive Deputy Chairman until January 1, 2018) and 5 senior managers include 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).

It is noted that the service contract that Mr. Polanco had with the Company has been extinguished with effect date of January 1, 2018 and the Board of Directors has agreed to pay compensation in the amount of € 905,000 in accordance with the provisions of his contract. Mr. Polanco holds the position of non-executive Chairman of the Company since that date.

And the commercial contract with 1 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, the contract of the CEO and 2 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, 2017, 6 executives of Grupo PRISA (who are not considered part of the Senior Management) had a golden parachute.

Post-contractual noncompetition undertaking:

The contract of the CEO contain a 6 months 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.

In addition Mr Manuel Polanco will be entitled to receive, in accordance with the terms agreed for the termination of his former service provision contract, the amount foreseen therein to compensation the non-competition agreement (a clause which was agreed to stop being in force on 31 December 2019), amounting to EUR 230,000 if he ceased being the Board Chairman before 31 December 2019 —as a result of his removal as the Board Chairman through a resolution by the General Meeting or by the Board for reasons other than a serious breach of his obligations which would lead to his removal— and did not compete with the PRISA Group during the period of one year after his removal.

The contracts of 6 members of the senior management likewise provide for a post-contractual noncompetition agreement of between 6 months and 1 year, with compensation equivalent to 3 months or 6 months, 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, 5 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. MANUEL MIRAT SANTIAGO	MEMBER	EXECUTIVE DIRECTOR
MR. MANUEL POLANCO MORENO	MEMBER	EXECUTIVE DIRECTOR
MR. ROBERTO LAZARO ALCANTARA ROJAS	MEMBER	EXTERNAL DIRECTOR REPRESENTING SIGNIFICANT SHAREHOLDINGS
MR. JOSEPH OUGHOURLIAN	MEMBER	EXTERNAL DIRECTOR REPRESENTING SIGNIFICANT SHAREHOLDINGS
MR. FRANCISCO	MEMBER	INDEPENDENT EXTERNAL

JAVIER MONZÓN DE CÁCERES		DIRECTOR
MR. JOHN PATON	MEMBER	INDEPENDENT EXTERNAL DIRECTOR

% EXECUTIVE DIRECTORS	42.86%
% EXTERNAL DIRECTOR REPRESENTING SIGNIFICANT SHAREHOLDINGS	28.57%
% INDEPENDENT EXTERNAL DIRECTOR	28.57%
% OTHER EXTERNAL	00.00%

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 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 is comprised of at least a third of the Board members and a maximum of eight (8) Board members. The Delegated Commission is 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 is 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 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 is 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 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 are 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 prepare minutes of its meetings on the terms provided for the Board of Directors.

The Delegated Commission 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 2017 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
As of December 31, 2017, the Delegated Commission was comprised of 3 executive directors, 2 proprietary directors and 2 independent directors.
The Board of Directors was composed of 3 executive directors, 4 proprietary directors, 6 independent directors and by one external director.
While the structure of the Board of Directors was not proportionally equal to that of the Delegated Commission, it must be taken into account that all categories of directors (with the exception of “other external directors”) were represented on the Delegated Commission and that one of the executive directors (Mr Manuel Polanco Moreno) has also the status of proprietary director.

AUDIT COMMITTEE

Name	Position	Classification
DOMINIQUE D’HINNIN	CHAIRMAN	INDEPENDENT EXTERNAL DIRECTOR
WAALED AHMAD IBRAHIM ALSA’DI	MEMBER	EXTERNAL DIRECTOR REPRESENTING SIGNIFICANT SHAREHOLDINGS
MS. SONIA DULA	MEMBER	INDEPENDENT EXTERNAL DIRECTOR

%EXTERNAL DIRECTORS REPRESENTING	33.33%
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SIGNIFICANT SHAREHOLDINGS	
%INDEPENDENT DIRECTORS	66.67%
% OTHER EXTERNAL	00.00%

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 is 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 are non-executive Directors, the majority of their members are independent and at least one of them must be appointed taking account of his knowledge and experience in accounting, auditing or both. As a whole, members of the Committee have the relevant technical knowledge in relation to the sector of activity of the Company.

The appointment and removal of Committee members is carried out by the Board of Directors on proposal of the Chairman.

The members of the Committee leave office when they leave office as Directors or when so resolved by the Board of Directors.

The Chairman of the Committee is elected by the Board of Directors from among the members of the Committee that are independent Directors. The Chairman of the Committee is 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 act as Secretary of the Committee. In his absence, the Deputy Secretary, if any, act, or in his absence the member of the Committee that it designates.

The Audit Committee has 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 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 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 2017 are detailed in the annual report on this Committee's activities, which will be published when the 2018 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	DOMINIQUE D'HINNIN
Number of years chairman has served in that capacity	0

NOMINATION AND COMPENSATION COMMITTEE

Name	Position	Classification
MR FRANCISCO JAVIER MONZÓN DE CÁCERES	CHAIRMAN	INDEPENDENT EXTERNAL DIRECTOR
MR. JOSEPH OUGHOURLIAN	MEMBER	EXTERNAL DIRECTOR REPRESENTING SIGNIFICANT SHAREHOLDINGS
MR DOMINIQUE D'HINNIN	MEMBER	INDEPENDENT EXTERNAL DIRECTOR
FRANCISCO JAVIER GOMEZ- NAVARRO NAVARRETE	MEMBER	INDEPENDENT EXTERNAL DIRECTOR
JOHN PATON	MEMBER	INDEPENDENT EXTERNAL DIRECTOR

%External Directors representing significant shareholdings	20.00%
%Independent Directors	80.00%
%Other External Directors	00.00%

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.

The Appointment and Remuneration Committee is 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.

The appointment and removal of Committee members is carried out by the Board of Directors on proposal of the Chairman.

The Appointment and Remuneration Committee 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 leave office when they leave office as directors or when so resolved by the Board of Directors.

The Chairman of the Committee is elected by the Board of Directors from among those members of the Committee that are independent Directors.

The Secretary of the Board of Directors 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 Appointment and Remuneration Committee 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.

The Committee 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.

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 2017 are detailed in the annual report on this Committee's activities, which will be published when the 2018 Ordinary General Meeting is called, on the corporate website www.prisa.com.

CORPORATE GOVERNANCE COMMITTEE

Name	Position	Classification
MR FRANCISCO JAVIER MONZÓN DE CÁCERES	CHAIRMAN	INDEPENDENT EXTERNAL DIRECTOR
MR. JOSEPH OUGHOURLIAN	MEMBER	EXTERNAL DIRECTOR REPRESENTING SIGNIFICANT SHAREHOLDINGS
MR. KHALID BIN THANI BIN ABDULLAH AL THANI	MEMBER	EXTERNAL DIRECTOR REPRESENTING SIGNIFICANT SHAREHOLDINGS

FRANCISCO JAVIER GOMEZ- NAVARRO NAVARRETE	MEMBER	INDEPENDENT EXTERNAL DIRECTOR
MR DOMINIQUE D'HINNIN	MEMBER	INDEPENDENT EXTERNAL DIRECTOR

%External Directors representing significant shareholdings	40.00%
%Independent Directors	60.00%
%Other External Directors	00.00%

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 is comprised of a minimum of three (3) and a maximum of five (5) non-executive Directors. At least two (2) of them are independent Directors.

The appointment and removal of Committee members is carried out by the Board of Directors on proposal of the Chairman.

The members of the Corporate Governance Committee leave office when they leave office as directors or when so resolved by the Board of Directors.

The Chairman of the Committee is elected by the Board of Directors from among those members of the Committee that are independent.

The Secretary of the Board of Directors act as Secretary of the Committee. In his absence, the Deputy Secretary, if any, act, or in his absence the member of the Committee that it designates.

The Corporate Governance Committee has 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 meets 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 2017 are detailed in the annual report on this Committee's activities, which will be published when the 2018 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 2017 Number %	Year 2016 Number %	Year 2015 Number %	Year 2014 Number %
Delegated Committee	0 (00.00)	1 (14.28)	0 (00.00)	0 (00.00)
Audit Committee	1 (33.33)	1 (25.00)	0 (00.00)	0 (00.00)
Nomination and Compensation Committee	0 (00.00)	0 (00.00)	1 (25.00)	1 (25.00)
Corporate Governance Committee	0 (00.00)	1 (25.00)	2 (50.00)	2 (50.00)

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 and Corporate Governance Committee are regulated by the Bylaws and by the Board Regulations. As already mentioned in section C.1.18, at its meeting on 13 October 2017 the Board of Directors agreed to amend the Board of Directors Regulations in order, among other things, to adapt the wording of the Board of Directors Regulations to the Bylaws as amended on 30 June 2017, in relation to the quantitative and qualitative composition of the Audit Committee. Both the Board of Directors Regulations and the Bylaws are published on the Company's web site.

In 2017 the Audit, Nomination and Compensation and Corporate Governance published reports on their functions and activity during 2016. Those reports were made available to the shareholders when the ordinary general meeting of June 2017 was called and are posted on the Company's website (see Material Disclosure no 252561 of 28 May 2017).

Those committees will again issue reports on their functions and activities during 2017, 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)
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TELEFONICA, S.A.	GRUPO PRISA	Commercial	Rendering of services	1,223
CAIXABANK, S.A.	GRUPO PRISA	Commercial	Rendering of services	2,527
BANCO SANTANDER, S.A.	GRUPO PRISA	Commercial	Rendering of services	2,329
RUCANDIO, S.A.	GRUPO PRISA	Commercial	Rendering of services	4
HSBC HOLDINGS PLC	GRUPO PRISA	Commercial	Rendering of services	2
TELEFONICA, S.A.	GRUPO PRISA	Commercial	Reception of services	9,393
TELEFONICA, S.A.	GRUPO PRISA	Commercial	Operating lease agreements	2,169
BANCO SANTANDER, S.A.	GRUPO PRISA	Commercial	Reception of services	203
CAIXABANK, S.A.	GRUPO PRISA	Commercial	Reception of services	418
HSBC HOLDINGS PLC	GRUPO PRISA	Commercial	Reception of services	249
BANCO SANTANDER, S.A.	GRUPO SANTILLANA EDUCACIÓN GLOBAL, S.L.	Contractual	Financing Agreements: Loans	10,003
BANCO SANTANDER, S.A.	MEDIA GLOBAL, SGPS	Contractual	Financing Agreements: Loans	15,016
BANCO SANTANDER, S.A.	SOCIEDAD ESPAÑOLA DE RADIOFIFUCIÓN, S.L.	Contractual	Financing Agreements: Loans	5,998
BANCO SANTANDER, S.A.	PROMOTORA DE INFORMACIONES, S.A.	Contractual	Financing Agreements: Loans	16,880
CAIXABANK, S.A.	PROMOTORA DE INFORMACIONES, S.A.	Contractual	Financing Agreements: Loans	57,687
CAIXABANK, S.A.	GRUPO MEDIA CAPITAL (*)	Contractual	Financing Agreements: Loans	72,367
HSBC HOLDINGS PLC	PROMOTORA DE INFORMACIONES, S.A.	Contractual	Financing Agreements: Loans	458,599
CAIXABANK, S.A.	SOCIEDAD ESPAÑOLA DE RADIODIFUSIÓN, S.L.U.	Contractual	Financing Agreements: Loans	126
BANCO SANTANDER, S.A.	PROMOTORA DE INFORMACIONES, S.A.	Contractual	Financing Agreements: Loans: others	212
CAIXABANK, S.A.	PROMOTORA DE INFORMACIONES, S.A.	Contractual	Financing Agreements: Loans: others	212
HSBC HOLDINGS PLC	PROMOTORA DE INFORMACIONES, S.A.	Contractual	Financing Agreements: Loans: others	1,798
BANCO SANTANDER, S.A.	GRUPO SANTILLANA EDUCACIÓN GLOBAL, S.L.	Contractual	Warranties	285
BANCO SANTANDER, S.A.	PRISA RADIO, S.L.	Contractual	Warranties	334
BANCO SANTANDER, S.A.	SERVIÇOS DE INTERNET, S.A.	Contractual	Warranties	59
BANCO SANTANDER, S.A.	GRUPO PRISA	Contractual	Interest paid	999

CAIXABANK, S.A.	PROMOTORA DE INFORMACIONES, S.A.	Contractual	Interest paid	1,520
CAIXABANK, S.A.	GRUPO MEDIA CAPITAL (*)	Contractual	Interest paid	3,000
HSBC HOLDINGS PLC	PROMOTORA DE INFORMACIONES, S.A.	Contractual	Interest paid	11,705
HSBC HOLDINGS PLC	PROMOTORA DE INFORMACIONES, S.A.	Contractual	Interest accrued but not paid	272
HSBC HOLDINGS PLC	PROMOTORA DE INFORMACIONES, S.A.	Corporate	Contributions of capital in cash or in kind	1,256
CAIXABANK, S.A.	PROMOTORA DE INFORMACIONES, S.A.	Corporate	Contributions of capital in cash or in kind	148
BANCO SANTANDER, S.A.	PROMOTORA DE INFORMACIONES, S.A.	Corporate	Contributions of capital in cash or in kind	148

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)
DOMINIQUE D'HINNIN	PROMOTORA DE INFORMACIONES, S.A.	PROVISION OF SERVICES	Contractual	100

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.	6.351
SOCIEDAD ESPAÑOLA DE RADIODIFUSION, S.L.	DIVIDENDS PAID BY SISTEMAS RADIOPOLIS, S.A. DE CV TO ITS SHAREHOLDER SOCIEDAD ESPAÑOLA DE RADIODIFUSION, S.L.	1.999
SOCIEDAD ESPAÑOLA DE RADIODIFUSION, S.L.	LOANS GRANTED BY SOCIEDAD ESPAÑOLA DE RADIODIFUSION, S.L. TO THE COMPANY IN WHICH IT HOLDS HOLDINGS, GREEN EMERALD BUSINESS INC.	2.078

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	1.242
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	391
PRISA NOTICIAS, S.L	THE FINANCIAL EXPENSE RECORDED BY PRISA NOTICIAS, S.L. DUE TO THE DETERIORATION OF THE LOAN MADE TO LE MONDE LIBRE SOCIETE COMANDITÉ SIMPLE	3.175
W3 COM INMOBILIARIA, S.A. DE CV	PRESTAMOS CONCEDIDOS POR W3 COM INMOBILIARIA, S.A. DE CV A LA SOCIEDAD PARTICIPADA W3 COMM CONCESIONARIA, S.A. DE CV.	693
NOTICIAS AS MÉXICO, S.A. DE CV	INGRESOS PERCIBIDOS POR NOTICIAS AS MÉXICO, S.A. DE CV POR LA VENTA DE PUBLICIDAD A SISTEMAS RADIOPOLIS, S.A. DE CV	595

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 businesses of Group subsidiaries and, therefore, their operation and earnings are subject to risks that may be grouped into the following categories:

- Risks relating to the financial and equity situation.
- Strategic and operational risks

Risks relating to the financial and equity situation

Financing risk-

As of December 31, 2017, the Group's net bank debt level stood at EUR 1,421.6 million and represents a series of risks:

- It is more exposed to the economic cycle and market performance, especially in those businesses with a higher exposure to economic cycles.
- It requires part of the cash flow from operations to be put aside to cover payment obligations, interest payments and amortisation of the debt principal, hindering the capacity to dedicate these cash flows to cover working capital, investments and finance for future transactions.
- The Group is exposed to interest rate fluctuations in loans financed at variable interest rates.
- It limits the ability to adapt to market changes.
- It places the Group at a disadvantage with regard to less indebted competitors.

In addition, the contracts governing Prisa's debt terms stipulate requirements and commitments for compliance with specific leverage and financial ratios (covenants). The aforementioned agreements contain the provisions regarding cross default, which means that a breach of a specific provision may cause, if the breach exceeds certain amounts, the early maturity and termination of the agreement in question, but also that of the Override Agreement.

As described in the attached explanatory notes, as of December 31, 2017, the main financial commitment has been established for December 2018 for an amount of EUR 956.5 million. This amount is recorded as a current liability on the consolidated balance sheet as of December 31, 2017.

Likewise, as of January 22, 2018, the company had signed a framework agreement with all the financial creditors of the *Override Agreement* to refinance and modify the terms of Prisa's current financial debt, adapting the maturity schedule of the bank debt to the cash generation profile of the Group's businesses.

The effectiveness of this agreement is subject to, among other conditions, debt being cancelled at the time the refinancing comes into effect running to EUR 450 million from proceeds arising from the EUR 563.2 million cash capital increase which has been fully subscribed and paid by February 2018 and an agreement be reached with financial creditors on the new terms of the Override Agreement not expressly set out in the

Lock-up Agreement.

The refinancing agreement foresees two alternate scenarios based on whether by June 30, 2018 Prisa has obtained the proceeds from the sale of Media Capital, which will be used to cancel debt.

In addition, the Lock-up Agreement provides for a limited number of cases for termination that would permit the creditors to exit the binding commitment to support the proposed modifications to the financing regulated in the Override Agreement. These are, by the time of this report: (i) the existence of deadlines for the formalization of the Refinancing Agreement (30 June 2018) although it could be extended by the majority of the participants in the refinancing agreement, (ii) material failure by the Company to comply with its obligations under the Lock-up Agreement; (iii) a competent administrative or judicial body issuing an order or resolution that impedes execution of the agreed Refinancing; and (iv) if the Company goes into administration.

In the event that the milestones for the effectiveness of the Refinancing are not met or if for any other reason the Lock-up Agreement is terminated, the Refinancing will not take effect, and the Group would have to settle EUR 956.5 million in December 2018, which would have an impact on the liquidity and continuity of its businesses.

The Directors of the Company consider that none of the termination cases will occur.

The Refinancing agreement would reduce Group expose to the risks above although the debt level would remain high.

Media Capital Sale Transaction-

The Prisa Board of Directors accepted a binding offer put forward by Altice NV on July 13, 2017 for the sale of Vertex SGPS, S.A. ('Vertex'), belonging to Grupo Media Capital, SGPS, S.A. ('Media Capital'), with the transaction dependent on the relevant authorization from the Portuguese competition authorities.

This agreement meant an accounting loss was registered at the parent company for EUR 89.3 million (a EUR 76.9 million loss in the consolidated financial statements). The final price will depend on the performance of Media Capital's business up to the date the sale is finalized.

Proceeds from Media Capital sale will be used to cancel debt, so in case the sale of Media Capital does not occur in the end, the Group's financial situation will be negatively impacted.

Equity situation of the Group's parent company-

As of December 31, 2017, 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 46,279 thousand, below two thirds of total share capital, although representing over half of share capital. In this sense, the company has an imbalanced equity situation in terms of the obligation to reduce share capital in the period of one year.

The Directors of the Company have planned a series of strategic measures and activities that aim to strengthen and optimize the company's financial and shareholder equity structure, including capital increase for an amount of EUR 563.2 million, which was fully subscribed and paid in February 2018. The subscription and registration of this capital increase in February 2018 has reestablished the equity situation of the Parent Company.

Credit and liquidity risk-

The adverse macroeconomic situation with major declines in advertising and circulation has had a negative impact on the Group's ability to generate cash flow over recent years, mainly in Spain. Businesses which rely heavily on advertising have a high percentage of fixed costs, and any decline in advertising revenues has major implications for margins and the cash position, making it difficult to implement additional measures to

improve Group operating efficiency. As of December 31, 2017, advertising revenue represented 29.8% of Group operating income.

Likewise, the nature of the Education business means that there are concentrated periods of collections around certain dates, mainly during the final months of each year. The aforementioned creates seasonality in Santillana's cash flow. While the seasonality of the Group's cash flow is not significant, so far as the flows coming from the various business units largely compensate each other and thereby mitigating the seasonality effect, the aforementioned could lead to certain cash tensions during the periods in which the collections are structurally lower.

In terms of the commercial credit risk, the Group assesses the age of the debt and constantly monitors the management of receivables and processing of arrears.

The Group exhaustively monitors receivables and payables associated with all its activities, as well the maturities of financial and commercial debt and repeatedly analyses other financing methods in the aim of covering planned cash requirements in the short, medium and long-term.

Non-controlling interests in cash generating units-

The Group has significant non-controlling interests in cash generating units including education and radio businesses. Likewise, Santillana is obliged to pay on an annual basis its non-controlling shareholders (25% of share capital) a preferential set fixed dividend to the Prisa dividend.

Exposure to interest rate hedges-

The Group is exposed to changes in interest rates as around 60.3% of its bank borrowings bear interest at floating rates. The Group currently has no derivative contracts for interest rates.

Exposure to exchange rate hedges-

The Group is exposed to fluctuations in exchange rates mainly due to financial investments made in stakes in American companies, as well as revenue and profits from said investments.

In this context, and in the aim of mitigating this risk, if there are credit lines available the Group adheres to the practice of formalizing hedge contracts for exchange rate variations (mainly forex insurance, 'forwards' and options on currencies) based on its monthly analyzed forecasts and budgets, in order to reduce volatility in operations, results and cash flows of subsidiaries operating overseas.

Tax risks-

The Group's tax risks are related to possibly different interpretations of the rules that the relevant tax authorities may make, as well as to the changes in tax rules in the different countries in which the Group operates.

As of December 31, 2017, the consolidated Group had active tax credits amounting to EUR 332.8 million; of these, EUR 291.6 million corresponded to the tax consolidation group whose parent company is Prisa.

In accordance with current Group business plans, the Board of Directors deem recovery of active tax credits according to the criteria established in the accounting regulation likely, although there is the risk that the ability to generate positive tax bases may not suffice to recover the active tax credits arising from the negative tax bases from previous financial years, from limiting the deductible nature of financial expenses and amortizations, as well as from tax deductions.

Intangible assets and goodwill-

As of December 31, 2017, the company had intangible assets recorded on its consolidated balance sheet amounting to EUR 110.8 million and goodwill of EUR 167.6 million. The analysis of the value of these

assets and goodwill used estimates made to date, based on the best available information. It is possible that events which could occur in the future make it necessary to modify these estimates down. In this event, the impact of these new estimates in valuing intangible assets and goodwill will be registered on the future consolidated income statement.

Strategic and operational risks

Macroeconomic risks-

The evolution in macroeconomic variables affect to the Group business performance in Spain and America.

In the 2017 financial year, 55% of Group operating income came from international markets. Nevertheless, Spain continues to be the Group's main geographical market (representing 45% of Group operating income).

The main consumer figures in Spain saw major declines in the past that have affected, and may continue to do so if growth comes in below forecasts, spending by Group customers on its products and services, including advertisers and other clients of Prisa content offers.

With regard to Prisa's business and investments in Latin America, we should state that it is the highest risk region among developing nations due to its links with the United States and China, especially when it comes to Brazil and Chile, where the economy is dependent on commodity exports to China and the United States, among others.

Macroeconomic declines could negatively affect the Group's position in terms of earnings and cash generation, as well as the value of Group assets.

Decline in the advertising market-

An important part of Prisa's operating income comes from the advertising market, mainly in its press and radio businesses. As of December 31, 2017, advertising revenue represented 29.8% of Group operating income. Spending by advertisers tends to be cyclical and reflects the general economic situation and outlook.

If macroeconomic figures worsen in the countries where the Group operates (especially GDP), the spending outlook for advertisers could be negatively impacted. Given the large fixed expenses component linked to businesses which rely heavily on advertising, any decline in advertising revenues directly affects operating profits and, therefore, the Group's ability to generate cash.

Changes occurring to the tradition media business-

Press revenues from the sale of copies and subscriptions continue to be negatively impacted by the growth of alternative distribution media, including free news websites and other content.

Along the same lines, the proliferation of alternative digital communication, including social networks or news aggregators, has had a notable impact on the options available to consumers, thus resulting in a fragmentation of the audience. Moreover, the proliferation of these new players means an increase in the inventory of digital advertising space available to advertisers, and which affects, and is expected to continue affecting, the Group's Press and Radio businesses.

Moreover, the digital advertising business itself is subject to constant change. The emergence of digital advertising networks and markets, especially, disruptive methods of advertising auctions, such as Real-time bidding, is allowing advertisers to develop more personalized advertising and is putting downward pressure on prices.

Likewise, there is a proliferation of technologies and applications that allow users to avoid digital advertising on web pages and mobile applications, and for smartphones that visit.

If the Group's businesses do not manage to successfully adapt to the new demands of consumers and to new

business models, there could be a material negative effect on the Group's income and results.

Competition risk-

Prisa's businesses operate in highly competitive sectors.

Competition between companies offering online content is intense in the Press and Radio businesses, and the Group is fighting for advertising against traditional players and new content providers and news aggregators.

In the Education business, the Group also competes against traditional players and smaller businesses, online portals and digital operators offering alternative content and methodology. Moreover, students often head to cheaper content sources, file and document exchanges over different platforms, websites, 'pirate' copies or second-hand material.

The ability to anticipate and adapt to the requirements and new demands from customers may impact the competitive position of Group businesses with regard to other competitors.

Country risk-

Prisa operations and investments may be affected by different risks that are typical to investments in countries with emerging economies or with unstable backdrops, such as currency devaluation, capital controls, inflation, expropriations or nationalizations, tax changes or changes in policies and regulations.

Regulatory risk-

Prisa operates in regulated sectors and, therefore, is exposed to regulatory and governmental risks that could negatively impact the business.

Specifically, the radio business is subject to having franchises and licences for its activity, while the education business is subject to public policies applied by the governments of the countries where the Group operates. Therefore, the Education business could be affected by legislative changes, changes in the contracting procedures of public administrations, or the need to obtain prior administrative authorization with respect to the content of publications. Curriculum changes force the Group to modify its education contents, which requires making additional investments and so there is the additional risk that the return on these investments will be less than expected.

Furthermore, Prisa businesses are subject to many regulations in terms of fair competition, control of economic mergers or anti-monopolistic legislation at a global or local level.

Risk of concentration of sales in the public sector-

The main customers in the Group's Education business are the governments and public bodies in the various jurisdictions where it operates. In 2017, 18.9% of the operating income of the Education business (20.1% in December 2016) came from institutional sales, with a particularly high concentration existing in Brazil.

This dependence on public administrations could represent a risk for the results and business of the Group if the economic situation of these countries deteriorated, if there were changes in regulations or in public policies.

Digital transformation process-

The businesses where the Group operates are in a permanent process of technological change. Recent technological progress has introduced new methods and channels for content distribution and use. This progress then drives changes in consumer preferences and expectations.

In order to maintain and boost competitiveness and business, Prisa needs to adapt to technological progress meaning research and development are key elements. Digital transformation imply several risks such as

developing new products and services to respond to market trends, losing of value of contents within a digital environment, importance of technology to develop digital business or resistance to technological change in businesses of the Group.

Technology risk-

The businesses in which the Group operates depend, to a greater or lesser extent, on information technology (“IT”) systems. The Group offers software or technology solutions through web-based platforms.

IT systems are vulnerable to a set of problems, such as malfunctioning hardware and software, computer viruses, hacking and the physical damage sustained by IT centres. IT systems require regular updates, and it is possible that the Group cannot implement the necessary updates at the right time or that updates might not work as planned. Moreover, cyber-attacks on Prisa’s systems and platforms could result in the loss of data or compromise customer data or other sensitive information. Major faults in the systems or attacks on their security could have an adverse effect on Group operating profits and financial conditions.

In this sense, the Group has externalized with Indra Sistemas, S.A. ('Indra') its information technology management service and the development of innovative projects at some Group companies. If this service provision ceases, Group operations could be impacted.

Litigation and third-party claims risk-

Prisa is involved in important litigation and is also exposed to liability for the content in its publications and programmes. Moreover, when running its activities and businesses, the Group is exposed to potential liabilities and claims in the area of employment relations.

Data protection-

The Group has a large amount of personal data at its disposal through development of its businesses, included those related to employees, readers and students. Therefore, the Group is subject to data protection regulations in different countries where it operates. Any violation of this regulation could have an adverse impact on the Group’s business.

Intellectual property-

The Group’s businesses depend, to a large extent, on intellectual and industrial property rights, including the brands, literary content or technology developed internally by the Group, among others. Brands and other intellectual and industrial property rights constitute one of the Group’s pillars of success and ways to maintain a competitive advantage. However, there is the risk that third parties might, without the Company’s authorization, attempt to unduly copy or obtain and use the content, services and technology developed by the Group.

In addition, in order to use third-party intellectual property rights, the Group has non-exclusive paid-for permission from management companies servicing the owners of these rights.

Likewise, recent technological advances have greatly facilitated the unauthorized reproduction and distribution of content through diverse channels, thereby hindering the execution of protection mechanisms associated with intellectual and industrial property rights.

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 2017, in the context of the actions carried out for settling Group's financial obligations, Media Capital Group's investment has been impaired. This impairment resulted of the acceptance of the binding offer made by Altice NV to sell Media Capital Group. This agreement implied a depreciation on this Prisa's investment amounting, EUR 89 million, approximately.

Furthermore, as a result of this loss, as of August 31, 2017, Prisa's net equity amounted less than half of the share capital, so the Company was in a situation of dissolution cause. The capital reduction approved in November 2017 by the Board of Directors reestablished this dissolution cause situation. However, at the end of the year 2017 Prisa net equity is less than two-thirds of the amount of the share capital but stands above half of the share capital, so the company is in a situation of equity imbalance for the purposes of the obligation to reduce the share capital within the period of one year.

E.6 Explain the response and supervision plans for the entity's main risks, including tax risks.

A continuous investment follow-up is made by the Group and impairment tests are prepared at least annually or, as the case may be, whenever there are indications of impairment in such values.

Regarding to the equity situation of the parent company of the Group, during past years the Group has made significant efforts in order to safeguard Prisa's equity, such as capital increases or convertible bond issuances on a debt-to-equity swap. In this respect, as of November 15, 2017 the General Shareholders Meeting approved, subject to certain conditions, a capital increase amounting to EUR 450 million. On January 23, 2018 Prisa's Board of Directors resolved to increase the share capital on 563 million euros. On February, 2018 the capital increase for EUR 563 million has been subscribed entirely, so this capital increase restores equity imbalance that Prisa has as of December, 2017.

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 ICFR), 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 ICFR, 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 Talent Management and Organization, under the CEO, is responsible for the design, implementation, reviewing 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, this Direction coordinates and monitors the internal procedures of the Group companies, and its degree of documentation, updating and communication.

• **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 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 Communication Department has implemented an internal and external communication plan for the Code, supervised by the PRISA Compliance Unit.

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.

It 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 complaints received 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. In this regard, during 2017, training sessions were held about the new accounting standards that enters into force in 2018, as well as about the Criminal Compliance management risk.

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 General Managers in the business units and companies that are considered significant, confirm, at the year end, 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 ICFR 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 ICFR 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 in accordance with ISAE 3000.

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 Ordinary Shareholders' Meeting held in June 2017, the Chairman of the Board informed of the succession of the Chief Executive Officer, as the main new in matters of corporate governance, but not informed on the specific reasons for the company not following a given good governance code recommendation, considering the President 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. These agreements are in force until April 2020.

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.

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.

Compliant

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.

Explain:

During year 2017, the Company has initiated some modifications in relation to corporate governance and reconfiguration of the Board of Directors, which shall allow compliance with this recommendation in 2018.

The number of directors as of December 31, 2017 is 14, of which 6 are independent. Additionally, another director, Mr. Francisco Gil Díaz, has the status of “another external director” as he has been Executive Chairman of Telefónica México until June 2016. Telefónica México is a subsidiary of Telefónica, SA, a significant shareholder of PRISA.

After having resigned 2 independent directors between November 14 and 15, 2017, and as a consequence of the cessation of 5 independent directors at the Extraordinary Shareholders’ Meeting on November 15, 2017, the Board of Directors, five days later, appointed 4 independent directors and to Mr. Gil (“another external director”).

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.

Does not apply

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.

Explain:

In 2017 the Company did not have a refresher programme for directors because the Corporate Governance Committee had not foreseen it. However, in the future the Company expects to have one.

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.

Explain:

The Company did not carry out the evaluation of the chief executive in 2017.

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".

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 only carries out the evaluation required under sections a) and b) of this recommendation.

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.

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 Commission.

The composition of the Delegated Commission on December 31, 2017, however, did not resemble that of the Board of Directors in the sense that:

- i. The Delegated Commission was comprised of 2 executive directors, 2 proprietary directors and 2 independent directors.
- ii. The Board of Directors was composed of 3 executive directors, 4 proprietary directors, 6 independent directors and by other external director.

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.

Compliant

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.

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

Currently the variable remuneration's components are not deferred over time and the Nominations and Compensation Committee plans to change this policy.

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.

Partially compliant

In accordance with the provisions set forth in the Director Remuneration Policy approved at the Extraordinary Shareholders' Meeting held on November 15, 2017, the multi-year variable remuneration of the directors will be paid in shares of the Company. However, currently the Company does not have any long-term incentive program for executive directors.

Notwithstanding the above, the aforementioned Shareholders' Meeting also approved an extraordinary incentive plan for the Executive Chairman Mr Juan Luis Cebrián, linked to the recapitalization and financial stabilization of the Company and which will be settled in shares of the Company.

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.1** of this report it should be underscored that:

i) On January 1, 2017, the share capital of Prisa amounted to EUR 235,007,874 and was represented by 78,335,958 ordinary shares with a nominal value of EUR 3.00 each. During 2017, the following operations have been carried out and have modified the share capital of Prisa:

a) In execution of the resolutions passed at the Extraordinary Shareholders' Meeting held on November 15, 2017, the following share capital reductions have been carried out:

- Share capital reduction in the amount of EUR 154,321,837.26, that is, from EUR 235,007,874 to EUR 80,686,036.74, through the reduction of the par value of each of the 78,335,958 ordinary voting shares comprising Company's share capital, from to EUR 3.00 to EUR 1.03 per share, with the purpose to restore the balance between Company's share capital and equity, which has decreased as a consequence of the accumulation of losses from prior periods.

- Share capital reduction in the amount of EUR 7,050,236.22, that is, from EUR 80,686,036.74 to EUR 73,635,800.52, through the reduction of the par value of each of the 78,335,958 ordinary voting shares comprising Company's share capital in the amount of EUR 0.09, that is, from EUR 1.03 per share to EUR 0.94 per share, with the purpose to increase Company's legal reserves.

b) On November 17, 2017, it is formalized a public deed executing the share capital increase necessary to attend the early conversion of the bonds issued by resolution of the Ordinary General Shareholders' Meeting held on April 1, 2016, requested by all the bondholders, in accordance with the terms and conditions of conversion, and through which the issuance of 10,491,405 new shares of PRISA, as well as the amortization of all the aforementioned bonds, has been carried out as their total conversion has been requested.

As a result, as of December 31, 2017, share capital of Prisa amounts to EUR 83,497,721.22 and is represented by 88,827,363 ordinary shares, all belonging to the same class and series, with a nominal value of EUR 0.94 each, and numbered correlatively from 1 to 88,827,363.

ii) The date of the last change to the Company's capital, namely, 17 November 2017, is the date of execution of the deeds of the previous actions.

- 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 2017 and, in some cases, the information provided by the Shareholders and the directors 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, Fundación Bancaria Caixa D'Estalvis I Pensions de Barcelona/ Caixabank, S.A, GHO Networks, S.A. de CV/ Consorcio Transportista Occher, S.A. de C.V.), dividing by 30 the number of old shares they declared to the CNMV (applying an exchange ratio of one 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, 2017, 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) Besides the voting rights shown in the table in section A.2, certain companies belonging to the groups whose respective controlling companies are Santander, S.A. and Caixabank, S.A. subscribed, respectively, for 1,001,260 and 1,001,263 shares in the capital increase through conversion of contingent convertible bonds of Prisa issued in 2016, which carry the same number of voting rights as the ordinary shares of the Company (for further details, see note i) b) to section A.1 above).

v) 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.

vi) 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.

vii) 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., and Suleyado 2003, S.L.

viii) 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, 2017.

In February 2017, Abante Asesores notified the CNMV that its holding had passed the threshold of 3% of capital in November 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 Sections A.2 and A.3 and ii) that he controls Amber Capital UK, LLP, which acts as investment manager to Oviedo Holdings Sarl, Amber Active Investors Limited and Amber Global 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 and Mr Manuel Polanco Moreno 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.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 June 30, 2017 was 0.003% and of other distance voting was 0.001%. Likewise in the shareholders 'meeting of November 15, 2017 the percentage of electronic voting was 0.003%. These data are not recorded in the table, because the CNMV's templates only allows inserting figures with two decimals.

-With regard to **sections C.1.2. and C.1.3** of this report it should be underscored that:

i) As was announced by the Company on 19 December, at its meeting on that same date the Board of Directors accepted the resignation as director of Mr. Juan Luis Cebrián Echarri from 1 January 2018 and agreed to appoint Mr. Manuel Polanco Moreno, then Vice-Chairman, as Non-executive chairman of the Board of Directors of PRISA with effect from 1 January 2018.

ii) The first appointment of Mr. Juan Luis Cebrián Echarri as Chairman of the Board of Directors was on 20 July 2012 and the first appointment of Mr. Manuel Polanco Moreno as Vice Chairman of the Board was on 20 July 2012. At its meeting on 30 June 2017 the Board of Directors co-opted Mr. Manuel Mirat Santiago onto the Board as a director of the Company and also appointed him Chief Executive Officer with effect from 4 September 2017.

iii) The co-optation onto the Board of Mr. Waaleed Ahmad Ibrahim Alsa'di and Mr. Dominique D'Hinnin, carried out by the Board of Directors on 6 May 2016, was ratified by the shareholders at the Ordinary General Meeting held on 30 June 2017. Similarly, the co-optation onto the Board of Mr. Manuel Mirat Santiago, carried out by the Board of Directors of 30 June 2017, was ratified by the shareholders at the Extraordinary General Meeting held on 15 November 2017.

iv) The director Ms Sonia Dulá was co-opted onto the Board on 20 November 2015 but accepted her position later with effect from the date of her appointment.

v) Mr. Manuel Polanco resigned, with effect from 1 January 2018, from other posts with executive functions that he held in Prisa Group companies. Consequently, considering that Mr. Manuel Polanco had the dual role of executive director and proprietary director of PRISA, for the purposes provided in art. 529 *duodecies* of the LSC and at the proposal of the Nomination and Compensation Committee, Mr. Polanco has been reclassified as a proprietary director of PRISA with effect from 1 January 2018. Until that date, Mr. Polanco was a proprietary director appointed at the request of Timón, S.A. and also an executive director.

vi) As a result of all the above, as of 1 January 2018 Mr. Manuel Mirat is the Company's only executive director.

-With regard to **Section C.1.10** of this report it should be underscored that:

At 31 December 2017, Mr. Juan Luis Cebrián Echarri and Mr. Manuel Mirat Santiago, as Executive Chairman and Chief Executive Officer of the Company, respectively, had delegated to them all the powers of the Board, except for any that cannot legally be delegated.

However, in accordance with the provisions of the Board of Directors Regulation, the two executives had 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 was 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 was the main collaborator of the Executive Chairman and was 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 dealt with the Chief Executive Officer and, where he considered it appropriate, with senior management, in order to report on how the business is doing. For his part the Chief Executive Officer presided 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.

As mentioned, as of 1 January 2018 Mr. Juan Luis Cebrián is no longer executive chairman of the Company, while Mr. Manuel Polanco Moreno is non-executive chairman of the Board of Directors and Mr. Manuel Mirat Santiago is managing director and chief executive officer of the Company, as well as the only director who has powers of the Board of Directors delegated to him.

-With regard to **Section C.1.11** of this report it should be underscored that:

i) With effect from 1 January 2018, Mr. Manuel Polanco resigned from the posts with executive functions that he held in PRISA Group companies.

ii) In accordance with the contract signed between Mr. Juan Luis Cebrián and Diario El País, S.L. in relation to his position as President, the functions entrusted to him are not executive.

iii) Mr Manuel Mirat represents:

- Diario El Pais, S.L.U as Sole Director of: Agrupación de Servicios de Internet y Prensa, S.L.U., Ediciones El Pais, S.L., Pressprint, S.L., Sociedad Unipersonal;

- Prisa Noticias, S.L.U as Sole Director of: Prisa Eventos, S.L.U., Espacio digital Editorial, S.L., Grupo de Medios Impresos y Digitales, S.L., Sociedad Unipersonal;
- Grupo de Medios Impresos y Digitales, S.L.U. as Sole Director of: Estructura, Grupo de Estudios Económicos, S.A., Promotora General de Revistas, S.A.,
- Diario As, S.L. as Chairman of Diario As Colombia, S.A.S
- Promotora General de Revistas, S.A. as Sole Director of Meristation Magazine, S.L.
- Prisa Audiovisual, S.L.U. as Sole Director of Prisa Producciones de Vídeo, S.L.U.
- Promotora de Informaciones, S.A. as Sole Director of Prisa Tecnología, S.L., Audiovisual Sport, S.L. and as Director of Grupo Santillana Educación Global S.L.;
- Prisa Participadas, S.L.U. as Sole Director of Prisaprint, S.L. Unipersonal;
- Prisaprint, S.L.U. as Sole Director of Bidasoa Press, S.L. Sociedad Unipersonal, Distribuciones Aliadas, S.A., Sociedad Unipersonal, Norprensa, S.A. Sociedad Unipersonal.

- With regard to **section C.12.** of this report it should be underscored that:

- i) Company Director Mr Waaled Ahmad Ibrahim Alsa'di is managing partner of PKF-Qatar
- ii) Company Director Mr Javier de Jaime represents Theatre Directorship Service Beta, S.A.R.L. on the Board of Directors of Deoleo, S.A.

- 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 2017, 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 overall remuneration of the Board of Directors includes the remuneration to directors who left their post during 2017: Ms Blanca Hernández, Mr. José Luis Sainz Díaz, Mr. Glen Moreno, Mr. Ernesto Zedillo Ponce de León, Mr. Alfonso Ruiz de Assin Chico de Guzman, Mr. Alain Minc, Ms. Elena Pisonero, Mr. José Luis Leal Maldonado and Mr. Gregorio Marañón Bertrán de Lis.

- iii) The overall remuneration of the Board of Directors also includes that of the current Chief Executive Officer, Mr. Manuel Mirat Santiago, from the date of his appointment as a director of PRISA on 30 June 2017. Mr. Mirat has been Chief Executive Officer of PRISA since 4 September 2017. Therefore, the following clarifications are given in relation to the remuneration of Mr. Mirat:

- His remuneration from 1 July 2017 to 3 September 2017 is for his role as Chief Executive Officer of Prisa Noticias.
- His remuneration from 4 September 2017 is for his role as Chief Executive Officer of Prisa.
- His remuneration prior to 1 July 2017, which is for his role as Chief Executive Officer of Prisa Noticias, is included in senior management remuneration.

iv) 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 former Chairman, Mr. Juan Luis Cebrián Echarri, which entered into effect on 1 January 2014, provided that for each of the years 2014, 2015, 2016, 2017 and 2018, he was entitled to an annual contribution of 1,200,000 euros, as retirement benefit, for a total amount of 6,000,000 euros, to be delivered to Mr. Cebrián upon conclusion of his contract, which would be deliverable in all cases, even in the event of early termination of the contract. As indicated in previous sections of this report, Mr. Cebrián's contract was terminated effective 1 January 2018 and the Company paid this retirement benefit in full to Mr. Cebrián in January 2018. As provided in Mr. Cebrián's contract with the Company, in the event of early termination of the contract, payment of the retirement benefit would not be compatible with any other type of indemnity.

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.

iv) The table in section C.1.16 includes the members of senior management at 31 December 2017, senior management being understood to be the members of the Business Management Committee that were not executive directors and had an employment relationship with Prisa and other companies in the Group and, furthermore, the internal audit manager of Promotora de Informaciones, S.A. In January 2018, the Board of Directors changed the composition of the Group's Management Committee and so the members of senior management also changed.

The remuneration of Mr. Juanes and Mr. Pujol included here is the remuneration they received from the time of their appointment as, respectively, Chief Financial Officer and General Secretary of Prisa in July 2017.

The total senior management remuneration also includes the following:

- The remuneration of Mr. Fernando Martínez Albacete, Mr. Antonio García-Mon and Ms Noelia Fernández Arroyo, who left their respective positions as Chief Financial Officer, General Secretary and General Manager for Business Development and Digital Transformation in 2017.
- The remuneration of Mr. Manuel Mirat Santiago for his role as Chief Executive Officer of Prisa Noticias for the period from 1 January to 30 June 2017, when he was appointed executive director of PRISA. The remuneration of Mr. Mirat after that date is included in the remuneration of the members of Prisa's Board of Directors.

- For the purposes of section **C.1.17** of this Report, it is noted that Mr Francisco Javier Monzón de Cáceres is independent Director of Santander España, which is not properly a legal entity. Mr. Monzón's post as director of Santander España is as a member of an Advisory Board, providing advisory services on matters relating to technology and innovation.

-With regard to **Section C.1.45** of this report it should be underscored that:

i) 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.

ii) Only the ironclad or golden handshake clauses of the executive directors are reported to the shareholders meeting.

- With regard to **Section C.2.1** of this report it should be underscored that:

i) The three members of the Audit Committee, Mr Dominique D'Hinnin, Mr Waaled Ahmad Ibrahim Alsa`Di and Ms Sonia Dulá, 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 Dominique D'Hinnin, has held office since November 2017.

- 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. Transactions with Grupo Media Capital include those with Grupo Media Capital, SGPS, S.A. and companies in its group.
- iv. The operations shown in the table reflect the accounting information contained in the consolidated income statement for Grupo PRISA.
- v. The “contributions of capital in cash or in kind” of Santander, HSBC and Caixa, correspond to the early conversion of the bonds necessarily convertible into Prisa shares that were issued in 2016. The holders of such bonds, among which were HSBC, Caixabank and several companies of Grupo Santander, significant shareholders of the Company, exercised the option of early conversion to which they were entitled in accordance with the bases and conditions of conversion. This conversion resulted in the execution, on November 17, 2017, of a capital increase for an effective amount of 9,861,920.70 euros, through the issuance of 10,491,405 new ordinary shares of the Company, and the consequent early amortization of all the bonds.

- With regard to **Section D.3** of this report it should be underscored the following:

i) Compensation to Prisa directors and senior management is detailed in Sections C.1.15 and C.1.16 of this report.

The director Mr. Dominique D'Hinnin provided advisory services to the Chairman and the CEO, in relation to the Company's Refinancing Plan, for €50,000 per half-year (a total of €100,000 in 2017).

iii) The director Shk. Dr. Khalid bin Thani bin Abdullah Al Thani is Vice-Chairman of the Dar Al-Sharq media group, which in 2017 entered into a strategic alliance with Diario As (a PRISA group company), for the launch of *AS Arabia*.

iv) In 2017, €90,000 was paid to Mr. Gregorio Marañón y Bertrán de Lis, who was a director of Prisa until 15 November 2017, for legal advisory 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 rendered to companies of Grupo Prisa by other investee companies, for an aggregate amount of 1,306 thousand euros, ii) services provided by Grupo Prisa companies to other investee companies, for an aggregate amount of 637 thousand euros, iii) loans granted by companies of Grupo Prisa to other associated companies, for an amount of 1,279 thousand euros, iv) financial income recorded by companies of Grupo Prisa, linked to the loans granted to the investees, for an aggregate amount of 646 thousand euros. euros, v) dividends received by companies of Grupo Prisa from investee companies, for an aggregate amount of 25 thousand euros and vi) exchange differences associated with loans granted to associated companies denominated in foreign currency.

- 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.

- 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 22 March 2018.

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**

Independent 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 2017.

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 2017, 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

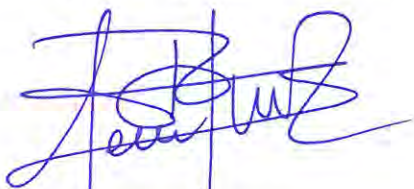
Our work was performed in accordance with the independence standards required by the Code of Ethics of the International Ethics Standards Board for Accountants (IESBA), which are based on the fundamental principles of integrity, objectivity, professional competence, due care, confidentiality and professional 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 2017, 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 2017 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.



Jesús Mota Robledo
22 March 2018

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 2017, in the context of the actions carried out for settling Group's financial obligations, Media Capital Group's investment has been impaired. This impairment resulted of the acceptance of the binding offer made by Altice NV to sell Media Capital Group. This agreement implied a depreciation on this Prisa's investment amounting, EUR 89 million, approximately.

Furthermore, as a result of this loss, as of August 31, 2017, Prisa's net equity amounted less than half of the share capital, so the Company was in a situation of dissolution cause. The capital reduction approved in November 2017 by the Board of Directors reestablished this dissolution cause situation. However, at the end of the year 2017 Prisa net equity is less than two-thirds of the amount of the share capital but stands above half of the share capital, so the company is in a situation of equity imbalance for the purposes of the obligation to reduce the share capital within the period of one year.

E.6 Explain the response and supervision plans for the entity's main risks, including tax risks.

A continuous investment follow-up is made by the Group and impairment tests are prepared at least annually or, as the case may be, whenever there are indications of impairment in such values.

Regarding to the equity situation of the parent company of the Group, during past years the Group has made significant efforts in order to safeguard Prisa's equity, such as capital increases or convertible bond issuances on a debt-to-equity swap. In this respect, as of November 15, 2017 the General Shareholders Meeting approved, subject to certain conditions, a capital increase amounting to EUR 450 million. On January 23, 2018 Prisa's Board of Directors resolved to increase the share capital on 563 million euros. On February, 2018 the capital increase for EUR 563 million has been subscribed entirely, so this capital increase restores equity imbalance that Prisa has as of December, 2017.

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 ICFR), 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 ICFR, 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 Talent Management and Organization, under the CEO, is responsible for the design, implementation, reviewing 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, this Direction coordinates and monitors the internal procedures of the Group companies, and its degree of documentation, updating and communication.

• **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 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 Communication Department has implemented an internal and external communication plan for the Code, supervised by the PRISA Compliance Unit.

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.

It 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 complaints received 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. In this regard, during 2017, training sessions were held about the new accounting standards that enters into force in 2018, as well as about the Criminal Compliance management risk.

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 General Managers in the business units and companies that are considered significant, confirm, at the year end, 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 ICFR 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 ICFR 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 in accordance with ISAE 3000.

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 Ordinary Shareholders' Meeting held in June 2017, the Chairman of the Board informed of the succession of the Chief Executive Officer, as the main new in matters of corporate governance, but not informed on the specific reasons for the company not following a given good governance code recommendation, considering the President that the Annual Corporate Governance Report (which is available

DECLARACION DE RESPONSABILIDAD SOBRE LAS CUENTAS ANUALES E INFORME DE GESTIÓN CORRESPONDIENTES AL EJERCICIO 2017, TANTO DE PROMOTORA DE INFORMACIONES, S.A. COMO DE SUS SOCIEDADES CONSOLIDADAS.

AFFIDAVIT OF ASSUMPTION OF LIABILITY WITH RESPECT TO THE 2017 ANNUAL ACCOUNTS AND MANAGEMENT REPORT OF BOTH PROMOTORA DE INFORMACIONES, S.A. AND ITS CONSOLIDATED COMPANIES.

22 de marzo de 2018

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 2017, tanto de PROMOTORA DE INFORMACIONES, S.A., como de sus sociedades consolidadas, que han sido formuladas con fecha 22 de marzo de 2018, 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 2017 annual accounts and management reports of both PROMOTORA DE INFORMACIONES, S.A. and its consolidated companies, which were drawn up on March 22, 2018, 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. Manuel Polanco Moreno

D. Manuel Mirat Santiago

D. Roberto Alcántara Rojas

D. Waleed Ahmad Ibrahim AlSa'di

D. Javier de Jaime Guijarro

D. Dominique Marie Philippe D'Hinnin

D^a Sonia Dulá

D. Francisco Gil Diaz

D. Javier Gómez- Navarro Navarrete

D. Javier Monzón de Cáceres

D. Joseph Oughourlian

D. John Paton