Promotora de Informaciones, S.A.

Financial Statements for the year ended 31 December 2018 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

Deloitte.

Deloitte, S.L.
Plaza Pablo Ruiz Picasso, 1
Torre Picasso
28020 Madrid
España

Tel: +34 915 14 50 00
Fax: +34 915 14 51 80
www.deloitte.es

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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 2018, and the statement of profit or loss, 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 2018, 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.

Restructuring of the Company's financial debt

Description	Procedures applied in the audit
As indicated in Note 1-b to the accompanying financial statements, on 22 January 2018 the Company entered into an agreement with all the financial creditors to refinance and modify the terms and conditions of the Override Agreement (agreement to refinance the Company's debt entered into in December 2013), which entered into force on 29 June 2018 following the fulfilment of certain conditions. Additionally, in February 2018, a capital increase in the parent company was subscribed in an amount of EUR 563,220 thousand. On 29 June 2018, and as one of the prior conditions for the entry into force of the agreement, the Company repaid a portion of its bank debt amounting to EUR 480,000 thousand. The refinancing agreement also entailed a debt restructuring process, whereby a new borrower, the investee Prisa Activos Educativos, S.L. (Sole-Shareholder Company), was included; this investee assumed as borrower a portion of the debt recognised at the Company prior to the entry into force of the refinancing agreement for a nominal amount of EUR 685,000 thousand, all in the framework of a corporate reorganisation of the Group. We identified this matter as key in our audit, since the financial restructuring has had a significant impact on the Company's financial statements.	Our audit procedures included, among others: • Meetings with management to understand the financing structure. • Obtainment of the various contractual agreements reached, as well as the addenda and communications maintained between the parties, and analysis of that documentation, involving our internal legal experts in gaining an understanding of and assessing certain contractual aspects related to the transaction described above. • Analysis of the effects associated with the agreement to restructure the financial debt and the corporate reorganisation, as well as the accounting treatment thereof in the financial statements. • Confirmation of bank balances at 2018 year-end through receipt of letters issued by the banks involved. • With respect to the capital increase transaction carried out by the Company, we compared the information relating to the transaction described in the minutes of the Board of Directors and General Meetings. In addition, we verified documentation supporting the execution of the capital increase by obtaining and analysing the public deed of increase registered at the Mercantile Registry and we obtained and checked the bank statement reflecting the cash inflow. In addition, we assessed the adequacy of the disclosures provided in Notes 1-b and 7-2 to the accompanying financial statements with respect to the requirements of the applicable regulatory financial reporting framework.

Recoverability of deferred tax assets

Description

The balance sheet as at 31 December 2018 includes a balance of EUR 70,269 thousand relating to deferred tax assets, which correspond to tax assets of the Spanish tax group of which the Company is the head.

At 31 December 2018, 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.

The updating of the tax plan gave rise to the recognition in 2018 of impairment losses on tax assets amounting to EUR 153,631 thousand (see Note 9).

We identified this matter as key in our audit, since the preparation of the 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 management, including the analysis of the key assumptions used, the review that they are consistent with reports from independent third parties and with market information, and the review of the consistency of the actual results obtained by the various business lines with those projected in the tax plans of previous years. We also obtained evidence of the approval by the Board of Directors of the budgeted results included in the tax plan. Furthermore, we conducted a sensitivity analysis of changes in the key assumptions, as well as an evaluation of the degree to which the recoverability of the tax assets included in the tax plan complies with the applicable tax legislation, for which we involved our tax experts.

Lastly, we assessed whether the disclosures provided in Notes 4-g and 9 to the accompanying financial statements are adequate with respect to the requirements in this connection contained in the applicable regulatory financial reporting framework.

Other Information: Directors' Report

The other information comprises only the directors' report for 2018, 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 of responsibility in this regard:

a) A specific level that applies 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 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 2018 and its content and presentation are in conformity with the applicable regulations.

Responsibilities of the Directors and of the Audit, Risk and Compliance 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, risk and compliance 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 6 and 7, forms part of our auditor's report.

Report on Other Legal and Regulatory Requirements

Additional Report to the Audit, Risk and Compliance Committee

The opinion expressed in this report is consistent with the content of our additional report to the Company's audit, risk and compliance committee dated 12 March 2019.

Engagement Period

The Annual General Meeting held on 25 April 2018 appointed us as auditors for a period of one year from the year ended 31 December 2017, i.e., for 2018.

Previously, we were designated pursuant to a resolution 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

Jesús Mota Robledo
Registered in ROAC under no. 21342

12 March 2019

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, risk and compliance 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, risk and compliance 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, risk and compliance 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)

Financial Statements and Directors’ Report for 2018, together with Auditors’ Report

Translation of a report originally issued in Spanish based on our work performed in accordance with generally accepted auditing standards in Spain and 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)

Individual Financial Statements and Directors' Report for 2018

PROMOTORA DE INFORMACIONES, S.A. (PRISA)

Individual Financial Statements for 2018

PROMOTORA DE INFORMACIONES, S.A. (PRISA)
BALANCE SHEET AT DECEMBER 31, 2018
(in thousands of euros)

ASSETS	Year 2018	Year 2017 (*)
A) NON-CURRENT ASSETS	**923,762**	**1,227,553**
I. INTANGIBLE ASSETS (Note 5)	230	254
1. Computer software	230	254
II. PROPERTY, PLANT AND EQUIPMENT (Note 6)	847	848
1. Other fixtures and furniture	166	161
2. Other items of property, plant and equipment	681	687
III. NON-CURRENT INVESTMENTS IN GROUP COMPANIES AND ASSOCIATES (Note 7.1)	851,835	962,016
1. Equity instruments	851,835	962,016
IV. NON-CURRENT FINANCIAL ASSETS (Note 7.1)	581	994
1. Equity instruments	572	981
2. Other financial assets	9	13
V. DEFERRED TAX ASSETS (Note 9)	70,269	582,225
B) CURRENT ASSETS	**71,305**	**51,512**
I. TRADE AND OTHER RECEIVABLES	4,234	5,580
1. Receivable from Group companies and associates (Notes 7.1 and 15)	1,339	3,516
2. Employee receivables (Note 7.1)	1	3
3. Tax receivables (Note 9)	2,889	2,061
4. Other receivables (Note 7.1)	5	-
II. CURRENT INVESTMENTS IN GROUP COMPANIES AND ASSOCIATES (Notes 7.1 and 15)	59,303	36,217
1. Loans to companies	59,303	36,217
III. CURRENT FINANCIAL INVESTMENTS (Note 7.1)	6,500	6,500
1. Other financial assets	6,500	6,500
IV. CURRENT PREPAYMENTS AND ACCRUED INCOME	77	1,683
V. CASH AND CASH EQUIVALENTS	1,191	1,532
1. Cash	1,191	1,532
TOTAL ASSETS	**995,067**	**1,279,065**

EQUITY AND LIABILITIES	Year 2018	Year 2017 (*)
A) EQUITY (Note 8)	**356,162**	**(459,128)**
A-1) Shareholders' equity	**356,386**	**(459,211)**
I. SHARE CAPITAL	524,902	83,498
II. SHARE PREMIUM	201,512	95,002
III. OTHER EQUITY INSTRUMENTS	-	46,408
IV. RESERVES	117,345	(96,714)
1. Legal and bylaw reserves	53,923	7,050
2. Other reserves	63,422	(103,764)
V. LOSS FROM PREVIOUS YEARS	(594,718)	(463,120)
VI. TREASURY SHARES	(2,856)	(694)
VII. PROFIT (LOSS) FOR THE YEAR	110,201	(131,598)
A-2) Value adjustments	**(224)**	**83**
I. AVAILABLE-FOR-SALE FINANCIAL ASSETS (Note 7.1)	(224)	83
B) NON-CURRENT LIABILITIES	**613,643**	**738,170**
I. LONG-TERM PROVISIONS (Note 12)	2,258	19,760
II. NON-CURRENT PAYABLES (Note 7.2)	423,905	623,756
1. Bank borrowings	423,905	623,756
III. NON-CURRENT PAYABLES TO GROUP COMPANIES AND ASSOCIATES (Notes 7.2 and 15)	187,480	94,626
IV. DEFERRED TAX LIABILITIES (Note 9)	-	28
C) CURRENT LIABILITIES	**25,262**	**1,000,023**
I. SHORT-TERM PROVISIONS (Note 12)	230	-
II. CURRENT PAYABLES (Note 7.2)	532	948,850
1. Bank borrowings	532	948,850
III. CURRENT PAYABLES TO GROUP COMPANIES AND ASSOCIATES (Notes 7.2 and 15)	14,589	34,285
IV. TRADE AND OTHER PAYABLES	9,911	16,888
1. Payable to suppliers (Note 7.2)	42	42
2. Payable to suppliers, Group companies and associates (Notes 7.2 and 15)	230	347
3. Sundry accounts payable (Note 7.2)	4,928	14,252
4. Remuneration payable (Note 7.2)	1,059	1,717
5. Tax payables (Note 9)	3,652	530
TOTAL EQUITY AND LIABILITIES	**995,067**	**1,279,065**

(*) The balance sheet at December 31, 2017 has been restated for comparative purposes in accordance with the applicable regulations by not presenting the assets and liabilities of Vertix SPGS, S.A. as "*Non-current assets held for sale*" and has not been audited

The accompanying Notes 1 to 20 and Appendices I and II are an integral part of the balance sheet at December 31, 2018

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 2018
(in thousands of euros)

	Year 2018	Year 2017 (*)
A) CONTINUING OPERATIONS		
1. Revenue		
a) Services *(Note 15)*	6,464	7,499
b) Income from equity investments *(Note 15)*	587,593	12,279
2. Other operating income	123	-
3. Staff costs		
a) Wages, salaries and similar expenses	(6,425)	(9,418)
b) Employee benefit costs *(Note 10)*	(531)	(606)
4. Other operating expenses		
a) Outside services *(Note 10)*	(9,473)	(17,124)
b) Taxes other than income tax	(42)	(64)
c) Impairment and other losses	1	(25)
5. Depreciation and amortization charge *(Notes 5 and 6)*	(82)	(284)
6. Ohter results (Note 10)	2,313	4,634
PROFIT/LOSS FROM OPERATIONS	**579,941**	**(3,109)**
7. Finance income		
a) From loans to Group companies and associates (*Note 15*)	164	5
b) Other finance income	2,152	1,497
c) Fair value of financial instruments	9,733	-
8. Finance costs and similar expenses:		
a) On debts to Group companies *(Note 15)*	(2,070)	(714)
b) On debts to third parties and similar expenses	(73,506)	(53,969)
9. Exchange differences	34	(246)
10. Impairment of financial instruments		
a) Impairment and other losses (*Notes 7.1 and 12*)	(273,554)	(81,492)
NET FINANCIAL RESULT *(Note 11)*	**(337,047)**	**(134,919)**
PROFIT / LOSS BEFORE TAX	**242,894**	**(138,028)**
11. Income tax *(Note 9)*	(132,693)	15,423
PROFIT/ LOSS FOR THE YEAR FROM CONTINUING OPERATIONS	**110,201**	**(122,605)**
B) DISCONTINUED OPERATIONS	-	(986)
PROFIT/ LOSS FOR THE YEAR	**110,201**	**(123,591)**

(*) The income statement for the year 2017 has been restated for comparative purposes in accordance with the applicable regulations, not presenting the results of Vertix SPGS, S.A. as "*Discontinued operations*" and has not been audited

The accompanying Notes 1 to 20 and Appendices I and II are an integral part of the income statement for year 2018

PROMOTORA DE INFORMACIONES, S.A.
STATEMENT OF CASH FLOW FOR YEAR 2018
(in thousands of euros)

	Year 2018	Year 2017 (*)
A) CASH FLOWS FROM OPERATING ACTIVITIES		
1. Profit / Loss before tax	**242,894**	**(138,028)**
2. Adjustments for	**(251,874)**	**122,924**
a) Depreciation and amortization charge (+)	82	284
b) Impairment of non-current financial assets (+/-)	273,554	81,761
Impairment losses recognised for financial assets	270,893	79,356
Period provisions for contingencies and charges	2,661	2,000
Provision of credit provisions	-	405
c) Finance income (-)	(12,155)	(1,504)
d) Finance costs (+)	75,647	54,931
e) Dividends received	(587,593)	(12,279)
f) Results due to disposals and disposals of financial instruments	-	(269)
g) Other income and expenses	(1,409)	-
3. Changes in working capital	**(9,696)**	**(119)**
a) Trade and other receivables (+/-)	2,193	(1,172)
b) Current prepayments and acrrued income	(45)	490
c) Trade and other payables (+/-)	(11,844)	563
4. Other cash flows from operating activities	**590,180**	**8,126**
a) Interest paid (-)	(24,266)	(26,596)
b) Dividends received (+)	587,580	12,269
c) Interest received (+)	154	17
d) Income tax recovered (paid) (+/-)	26,338	21,974
e) Other amounts received (paid) relating to operating activities (+/-)	374	462
5. Cash flows from operating activities (+/-1+/-2+/-3+/-4)	**571,504**	**(7,097)**
B) CASH FLOWS FROM INVESTING ACTIVITIES		
6. Payments due to investment (-)	(3,677)	(8,464)
7. Proceeds from disposal (+)	4	2,893
8. Cash flows from investing activities (7-6)	**(3,673)**	**(5,571)**
C) CASH FLOWS FROM FINANCING ACTIVITIES		
9. Proceeds and payments relating to equity instruments	545,099	(50)
10. Proceeds and payments relating to bank borrowings	(1,165,000)	-
11. Proceeds and payments relating to borrowings from Group companies	74,832	12,085
12. Proceeds and payments relating to other financing activities	(23,103)	456
13. Cash flows from financing activities (+/-9+/-10-11-12)	**(568,173)**	**12,491**
D) NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS (+/-A+/-B+/-C)	**(341)**	**(177)**
Cash and cash equivalents at beginning of year	1,532	1,709
Cash and cash equivalents at end of year	1,191	1,532

(*) The statement of cash flow for the year 2017 has been restated for comparative purposes in accordance with the applicable regulations, not presenting the flows of Vertix SPGS, S.A. as "*Discontinued operations*" and has not been audited

The accompanying Notes 1 to 20 and Appendix I and II are an integral part of the statement of cash flows for year 2018

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 2018

A) STATEMENT OF COMPREHENSIVE INCOMES AND EXPENSES FOR YEAR 2018

(in thousands of euros)

	Year 2018	Year 2017 (*)
A) Profit/(Loss) per income statement	**110,201**	**(123,591)**
Income and expense recognized directly in equity		
Arising from revaluation of financial instruments (*Note 7.1*)	(409)	(181)
Other income and expenses charged directly to equity (*Note 8*)	(17,145)	-
Tax effect	102	45
B) Total income and expense recognized directly in equity	**(17,452)**	**(136)**
C) Total transfers to profit or loss	**-**	**-**
TOTAL RECOGNIZED INCOME AND EXPENSE	**92,749**	**(123,727)**

(*) The statement of comprehensive incomes and expenses for the year 2017 has been restated for comparative purposes in accordance with the applicable regulations, not presenting the results of Vertix SPGS, S.A. as "*Discontinued operations*" and has not been audited

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 2018

PROMOTORA DE INFORMACIONES, S.A.
STATEMENT OF CHANGES IN EQUITY FOR YEAR 2018

B) TOTAL STATEMENT OF CHANGES IN EQUITY FOR YEAR 2018
(in thousands of euros)

(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
Balance at December,31 2016	**235,008**	**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)**	**(343,091)**
I. Total recognized income and expense																	
1. Profit (Loss) for the year																(123,591)	(123,591)
2. Valuation of finacial instruments												(136)		(136)			(136)
II. Transactions with shareholders or owners																	
1. Capital Increases / Decreases																	
- Share Capital	(161,372)			7,050							154,322			161,372			
- Share Premium																	
2. Conversion of financial liabilities into equity	9,862	95,052	(84,292)							(20,622)				(20,622)			-
3. Issuance of equity instruments																	
4. Conversion of equity instruments into shareholder´s equity																	
5. Distribution of 2016 profit																	
- Loss from previous years											(1,298)			(1,298)		1,298	-
6. Treasury share transactions																	
- Delivery of treasury shares							(366)			366				-	366		366
- Purchase of treasury shares														-	-		
- Sales of treasury shares																	
- Provision for treasury shares							(675)							(675)	675		-
III. Other changes in equity																	
- Other		(1,371,349)		(5,335)	(11,885)	(13,939)		(1,495)		(165,882)	1,584,082		(6,873)	1,378,673			7,324
Balance at December,31 2017 (*) ***(Note 8)***	**83,498**	**95,002**	**46,408**	**7,050**	**-**	**-**	**694**	**-**	**(85,639)**	**(18,819)**	**(463,120)**	**83**	**-**	**(559,751)**	**(694)**	**(123,591)**	**(459,128)**
I. Total recognized income and expense																	
1. Profit (Loss) for the year		(17,145)												0		110,201	93,056
2. Valuation of finacial instruments												(307)		(307)			(307)
II. Transactions with shareholders or owners																	
1. Capital Increases / Decreases																	
- Share Capital	441,189	122,031															563,220
- Share Premium																	
2. Conversion of financial liabilities into equity	215	1,624	(1,770)														69
3. Issuance of equity instruments																	
4. Conversion of equity instruments into shareholder´s equity																	
5. Distribution of 2017 profit																	
- Loss from previous years										8,007	(131,598)			(123,591)		123,591	-
6. Treasury share transactions																	
- Delivery of treasury shares							(95)			95				-	95		95
- Purchase of treasury shares							2,709			(2,709)				-	(2,709)		(2,709)
- Sales of treasury shares																	
- Provision for treasury shares							(452)							(452)	452		-
III. Other changes in equity																	
- Other			(44,638)							206,504				206,504			161,866
Balance at December,31 2018 ***(Note 8)***	**524,902**	**201,512**	**-**	**7,050**	**-**	**-**	**2,856**	**-**	**(85,639)**	**193,078**	**(594,718)**	**(224)**	**-**	**(477,597)**	**(2,856)**	**110,201**	**356,162**

(*) The statement of changes in equity for the year 2017 has been restated for comparative purposes in accordance with the applicable regulations, not presenting the balances and transactions of Vertix SPGS, S.A. as "Non-current Assets Held for Sale" and "Interrupted Operations" and has not been audited

The accompanying Notes 1 to 20 and Appendices I and II are an integral part of the total statement of changes in equity for year 2018

PROMOTORA DE INFORMACIONES, S.A. (PRISA)

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR 2018

1.- COMPANY ACTIVITIES AND PERFORMANCE

a) Company activities

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

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

In addition to the business activities carried on directly by it, the Company heads a group of subsidiaries, joint ventures and associates which engage in a variety of business activities and which compose Promotora de Informaciones, S.A. and subsidiary companies ("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 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 in terms of total asset, equity and net revenues amount to EUR 1,660,772 thousand, EUR 235,809 negative thousand and EUR 1,246,117 thousand respectively in 2018

The Group's consolidated financial statements for 2017 were approved by the shareholders at the Annual General Shareholders' Meeting held on April 25, 2018 and deposited in the Mercantile Register of Madrid.

The consolidated financial statements for 2018 were authorized for issue by the Company's Directors on March 12, 2019 .

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

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

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.

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).*

On July 13, 2017, the Prisa's Board of Directors accepted a binding offer put forward by Altice NV ("Altice") for the sale of Vertix SGPS, S. A. ("Vertix"), a company owned by Grupo Media Capital, SGPS, S.A. ("Media Capital"). The transaction was authorised in September 2017 by Prisa's financial creditors and in November of that year by the Annual General Meeting. The operation was subject to the mandatory authorisation of the Portuguese competition authorities. In the financial statements for 2017 the Company's stake in it was reclassified to '*Non-current assets held for sale*' and the income associated with this operation to '*Profit/loss for the year from discontinued operations*'. On June 18, 2018, the contract for the sale of Media Capital signed between Prisa and Altice was terminated as a consequence of the failure to comply with the deadline agreed by both parties for the last of the conditions precedent pending compliance, concerning Altice obtaining the mandatory authorization of the operation by the Portuguese Competition Authority. Following this decision, the Prisa's Board of Directors agreed that it will be able to evaluate various alternatives for this asset in the future. The sale of the aforementioned asset is not considered to be highly probable at December 31, 2018. Therefore, from June 30, 2018, the stake in Vertix is no longer reported as held for sale.

Finally, on January 22, 2018, the Company signed with all the financial creditors of the *Override Agreement* (agreement to refinance the Company's debt signed in December 2013) an agreement to refinance and modify the terms of Prisa's current financial debt (the Refinancing). On June 29, 2018, the Refinancing came into effect, once the agreements reached with all of its creditors were concluded. On this same date, and as one of the preconditions for the agreement to come into force, the Company cancelled a debt amounting EUR 480,000 thousand with the proceeds from the cash capital increase described above (EUR 450,000 thousand) and cash available from the Company (EUR 30,000 thousand). The basic terms of the Refinancing agreement include the extension of the debt maturity date to November and December 2022 and no redemption obligation until December 2020. With the entry into force of the Refinancing agreement, the Company's financial debt has become a long-term maturity which has led to an improvement in the working capital and the Group's financial structure (*see note 7.2*).

Likewise, the agreement has involved a restructuring of the debt, which has included a new borrower, Prisa Activos Educativos, S.L. (Sole proprietorship), which has assumed nominal debt of Prisa an amount of EUR 685.000 thousand. In the context of the process of refinancing the Group's debt at June 29, 2018, Prisa Activos Educativos, S.L. (Sole proprietorship) acquired 75% of the share capital of Grupo Santillana Educación Global, S.L. (Santillana), of which Prisa Participadas, S.L. ((Sole proprietorship) was the holder. This acquisition has been financed through the assumption by Prisa Activos Educativos, S.L. (Sole proprietorship) of financial debt of Prisa with the new conditions agreed in the mentioned Refinancing, related to terms, costs and guarantees. The rest of the amount of the debt remains recorded in Prisa (*see note 7.2*).

This purchase has been made in accordance with the general rules for transactions between companies of the same group contained in the General Accounting Plan in relation to the valuation of the operation, which has meant assessing it at fair value, based on the valuation report of the participation issued by an independent expert. Once the sale of Santillana was recorded, Prisa Participadas distributed to Prisa a dividend on account of the result of the 2018 financial year amounting to EUR 570,000 thousand.

The purpose of this operation is to take advantage of Santillana's financial capacity to service the debt with the cash flows generated by its business.

At December 31, 2018, 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 for amount EUR 62,492 thousand)stood at EUR 418,653 thousand, up to two thirds of total share capital for amount EUR 68,718 thousand. In this sense, the Company has a balanced equity situation. Likewise, the Company's current assets at December 31, 2018 are higher than current liabilities for the amount of EUR 46,043 thousand.

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 2018, 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 adaptions.
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 12, 2019, 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 2017 financial statements were approved by the shareholders at the Annual General Shareholders' Meeting held on April 25, 2018.

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 2018 is shown with the figure for 2017 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 consequence of the acceptance of the binding offer presented by Altice NV for the sale of Vertix, which is the owner of Media Capital, the stake in it was reclassified to '*Non-current assets held for sale*' and the income associated with this operation to '*Profit/loss for the year from discontinued operations*'.

On June 18, 2018, the contract for the sale of Vertix SPGS, S.A., signed between Prisa and Altice was terminated *(see note 1b)* and the Prisa Board of Directors agreed that it will be able to evaluate various alternatives for this asset in the future. The sale of the aforementioned asset is not considered to be highly probable at the date of preparing these financial statements. Therefore, since June 30, 2018 the operations in Vertix was no longer shown as "*Discontinued operations*" and the data relating to the investment in the same was no longer classified as "*Non-current assets held for sale*", becoming integrated into according to its nature in financial statements. This meant an improvement in the restated profit and loss account for 2017 due to estimated expenses associated with the sale contract not incurred of EUR 8,007 thousand.

In accordance with applicable regulations, and for comparative purposes, the balance sheet, the income statement, the statement of cash flows and the statement of changes of equity for 2017 have been restated to reflect this change.

Balance Sheet

The reconciliation of the balance sheet included in the financial statements of 2017 with the balance sheet, modified for comparative purposes, in the current financial statements is shown below:

	Year 2017 prepared	Media Capital effect	Year 2017 restated
Non-current assets			
Intangible assets	254	-	254
Property, plant and equipment	848	-	848
Non-current investments in group companies and associates	643,232	318,784	962,016
Non-current financial assets	994	-	994
Deferred tax assets	263,441	-	263,441
Current assets			
Non current assets held for sale	310,309	(310,309)	-
Trade and other receivables	5,770	(190)	5,580
Current investments in group companies and associates	36,217	-	36,217
Current financial investments	6,500	-	6,500
Current prepayments and accrued income	1,683	-	1,683
Cash and cash equivalents	1,532	-	1,532
Total assets	**1,270,780**	**8,285**	**1,279,065**
Equity			
Share capital	83,498	-	83,498
Share premium	95,002	-	95,002
Other equity instruments	46,408	-	46,408
Reserves	(96,714)	-	(96,714)
Loss from previous years	(463,120)	-	(463,120)
Treasury shares	(694)	-	(694)
Profit (loss) for the year	(131,598)	8,007	(123,591)
Available-for-sale financial assets	83	-	83
Non current liabilities			
Long-term provisions	19,760	-	19,760
Non-current payables	623,756	-	623,756
Non-current payables to group companies and associates	94,626	-	94,626
Deferred tax liabilities	28	-	28
Current liabilities			
Current payables	948,850	-	948,850
Current payables to group companies and associates	34,285	-	34,285
Trade and other payables	16,610	278	16,888
Total equity and liabilities	**1,270,780**	**8,285**	**1,279,065**

Income Statement

The reconciliation of the income statement included in the financial statements of 2017 with the income statement, modified for comparative purposes, in the current financial statements is shown below:

	Year 2017 prepared	**Media Capital effect**	**Year 2017 restated**
Revenue	19,778	-	19,778
Staff costs	(10,024)	-	(10,024)
Other operating expenses	(16,745)	(468)	(17,213)
Depreciation and amortization charge	(284)	-	(284)
Other results	4,634	-	4,634
PROFIT/LOSS FROM OPERATIONS	**(2,641)**	**(468)**	**(3,109)**
Finance income	1,502	-	1,502
Finance costs and similar expenses	(54,683)	-	(54,683)
Exchange differences	(246)	-	(246)
Impairment of financial instruments	(2,376)	(79,116)	(81,492)
NET FINANCIAL RESULT	**(55,803)**	**(79,116)**	**(134,919)**
PROFIT / LOSS BEFORE TAX	**(58,444)**	**(79,584)**	**(138,028)**
Income tax	17,101	(1,678)	15,423
PROFIT/LOSS FOR THE YEAR FROM CONTINUING OPERATIONS	**(41,343)**	**(81,262)**	**(122,605)**
Discontinued operations	(90,255)	89,269	(986)
PROFIT/(LOSS) FOR THE YEAR	**(131,598)**	**8,007**	**(123,591)**

Cash Flow Statement

The reconciliation of the cash flow statement included in the financial statements of 2017 with the cash flow statement, modified for comparative purposes, in the current financial statements is shown below:

	Year 2017 prepared	Media Capital effect	Year 2017 restated
Loss for the year before tax	(58,444)	(79,584)	(138,028)
Adjustments	43,808	79,116	122,924
Changes in working capital	(587)	468	(119)
Other cast flows from operating activities	8,126	-	8,126
CASH FLOWS FROM OPERATING ACTIVITIES	**(7,097)**	**-**	**(7,097)**
Payments fue to investment	(8,464)	-	(8,464)
Proceeds from disposal	2,893	-	2,893
CASH FLOWS FROM INVESTING ACTIVITIES	**(5,571)**	**-**	**(5,571)**
Proceeds and payments relating to equity instruments	(50)	-	(50)
Proceeds and payments relating to bank borrowings	-	-	-
Proceeds and payments relating to borrowings from Group companies	12,085	-	12,085
Proceeds and payments relating to other financing activities	456	-	456
CASH FLOWS FROM FINANCING ACTIVITIES	**12,491**	**-**	**12,491**
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS	**(177)**	**-**	**(177)**
Cash and cash equivalents at beginning of year	1,709	-	1,709
Cash and cash equivalents at end of year	1,532	-	1,532

Changes in equity statement

The reconciliation of the changes in equity statement included in the financial statements of 2017 with the changes in equity statement, modified for comparative purposes, in the current financial statements is shown below:

	Year 2017 prepared	Media Capital effect	Year 2017 restated
Profit/(Loss) per income statement	**(131,598)**	**8,007**	**(123,591)**
Income and expense recognized directly in equity			
Arising from revaluation of financial instruments	(181)	-	(181)
Tax effect	45	-	45
Total income and expense recognized directly in equity	**(136)**	**-**	**(136)**
Total transfers to profit or loss	**-**	**-**	**-**
TOTAL RECOGNIZED INCOME AND EXPENSE	**(131,734)**	**8,007**	**(123,727)**

(in thousands of euros)	Year 2017 prepared							Media Capital effect		Year 2017 restated						
	Share capital	Share premium	Other Equity Instruments	Reserves	Treasury shares	Profit (Loss) for the year	Equity	Profit (Loss) for the year	Equity	Share capital	Share premium	Other Equity Instruments	Reserves	Treasury shares	Profit (Loss) for the year	Equity
Balance at December,31 2016	**235,008**	**1,371,299**	**130,700**	**(2,077,065)**	**(1,735)**	**(1,298)**	**(343,091)**	-	-	**235,008**	**1,371,299**	**130,700**	**(2,077,065)**	**(1,735)**	**(1,298)**	**(343,091)**
I. Total recognized income and expense																
1. Profit (Loss) for the year						(131,598)	(131,598)	8,007	8,007						(123,591)	(123,591)
2. Valuation of finacial instruments				(136)			(136)						(136)			(136)
II. Transactions with shareholders or owners																
1. Capital Increases / Decreases																
- *Share Capital*	(161,372)			161,372			-			(161,372)			161,372			-
- *Share Premium*																
2. Conversion of financial liabilities into equity	9,862	95,052	(84,292)	(20,622)			-			9,862	95,052	(84,292)	(20,622)			-
3. Issuance of equity instruments																
4. Conversion of equity instruments into shareholder´s equity																
5. Distribution of 2016 profit																
- *Loss from previous years*				(1,298)		1,298	-						(1,298)		1,298	-
6. Treasury share transactions																
- *Delivery of treasury shares*				-	366		366						-	366		366
- *Purchase of treasury shares*																
- *Sales of treasury shares*																
- *Provision for treasury shares*				(675)	675		-						(675)	675		-
III. Other changes in equity																
- *Other*		(1,371,349)		1,378,673			7,324				(1,371,349)		1,378,673			7,324
Balance at December,31 2017 *(Note 8)*	**83,498**	**95,002**	**46,408**	**(559,751)**	**(694)**	**(131,598)**	**(467,135)**	**8,007**	**8,007**	**83,498**	**95,002**	**46,408**	**(559,751)**	**(694)**	**(123,591)**	**(459,128)**

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 2018 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 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 2018, there were no significant changes in the accounting estimates made at the end of 2017 and no items have been added to the main financial statements except for the determination of the recovery of equity investments in group and associated companies (*see note 7.1*) and the recoverability of deferred tax assets (*see note 9*) .

3.- ALLOCATION OF RESULT

The proposal for the distribution of the Company's profit for 2018 approved by the Company's Directors and that will be submitted for approval at the General Shareholders' Meeting is the following, in thousands of euros:

	Amount
Basis of appropriation-	
Profits for the year	110,201
Distribution-	
At legal reserve	11,020
At compensate for loss from previous years	99,181

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 price 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 recognized at acquisition price or production 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 income statement.

d) Financial instruments

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 have 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 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 annual 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 2018 the Company has not recorded any expense in this respect. In 2017 the Company had recorded an expense in this respect for EUR 905 thousand, applied during the current year.

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 had 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 2018 in the various intangible asset accounts and the related accumulated amortization are summarized as follows (in thousands of euros):

2018

	Balance at 12/31/2017	Additions	Disposals	Balance at 12/31/2018
Cost				
Industrial property	60	-	-	60
Computer software	21,175	-	(191)	20,984
Total cost	**21,235**	**-**	**(191)**	**21,044**
Accumulated amortization				
Industrial property	(60)	-	-	(60)
Computer software	(20,921)	(24)	191	(20,754)
Total accumulated amortization	**(20,981)**	**(24)**	**191**	**(20,814)**
Total intangible assets, net	**254**	**(24)**	**-**	**230**

At December 31, 2018, the Company's fully amortized intangible assets in use amounted to EUR 20,754 thousand (December 31, 2017: EUR 20,919 thousand).

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

2017

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

	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**

6.- PROPERTY, PLANT AND EQUIPMENT

The transactions performed in 2018 in the various property, plant and equipment accounts and the related accumulated depreciation are summarized as follows (in thousands of euros):

2018

	Balance at 12/31/2017	Additions	Disposals	Balance at 12/31/2018
Cost				
Other fixtures and furniture	481	42	(4)	519
Other items of property, plant and equipment	1,043	19	-	1,062
Total cost	**1,524**	**61**		**1,581**
Accumulated depreciation				
Other fixtures and furniture	(320)	(33)	-	(353)
Other items of property, plant and equipment	(356)	(25)	-	(381)
Total accumulated depreciation	**(676)**	**(58)**	**-**	**(734)**
Total property, plant and equipment, net	**848**	**3**	**(4)**	**847**

At December 31, 2018, the Company's fully depreciated property, plant and equipment in use amounted to EUR 534 thousand (December 31, 2017: EUR 519 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.

2017

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):

	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**

7. FINANCIAL INSTRUMENTS

7.1- FINANCIAL ASSETS

The detail of "*Financial assets*" in the balance sheets at December 31, 2018 and 2017, 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			
Categories	**12/31/18**	**12/31/17**	**12/31/18**	**12/31/17**	**12/31/18**	**12/31/17**	**12/31/18**	**12/31/17**
Group companies and associates	851,835	962,016	-	-	60,642	39,733	912,477	1,001,749
Held-to-maturity investments	-	-	9	13	6,500	6,500	6,509	6,513
Loans and receivables	-	-	-	-	6	3	6	3
Financial assets available for sale	572	981	-	-	-	-	572	981
Total	**852,407**	**962,997**	**9**	**13**	**67,148**	**46,236**	**919,564**	**1,009,246**

Equity investments in Group companies and associates

The transactions performed in 2018, in this category of financial assets, are summarized as follows (in thousands of euros):

2018

	Balance at 12/31/2017	Additions	Reversals	Transfers	Disposals	Balance at 12/31/2018
Cost						
Investments in Group companies	**1,461,120**	**202,861**	**(10)**	**-**	**(215,915)**	**1,448,056**
Prisa Brand Solutions S.L.U.	48,080	-	-	-	(48,080)	-
Promotora de Emisoras, S.L.	52,242	3,748	(10)	-	(55,980)	-
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	4,341	-	-	-	100,467
Promotora General de Revistas, S.A.	3	-	-	-	-	3
Prisa Audiovisual, S.L.U.	1,789	1,578	-	-	(3,367)	-
Prisa Gestión de Servicios, S.L.	3	1,969	-	-	(1,972)	-
Prisa Participadas, S.L.U.	516,388	35,383	-	-	-	551,771
Promotora de Actividades América 2010, S.L.	10	-	-	-	-	10
Promotora de Actividades Audiovisuales de Colombia, Ltda.	4	-	-	-	-	4
Vertix, SGPS, S.A.	639,061	-	-	-	-	639,061
Prisa Activos Educativos, S.L.	-	589	-	-	-	589
Prisa Activos Radiofónicos, S.L.	-	155,190	-	-	-	155,190
Prisa Gestión Financiera, S.L.	-	63	-	-	-	63
Investments in associates	**1,176**	**-**	**-**	**-**	**-**	**1,176**
Total cost	**1,462,296**	**202,861**	**(10)**	**-**	**(215,915)**	**1,449,232**
Impairment losses						
In Group companies	**(499,141)**	**(270,786)**	**-**	**(3,540)**	**177,209**	**(596,258)**
Prisa Brand Solutions S.L.U.	(38,835)	(1,529)	-	-	40,364	-
Promotora de Emisoras, S.L.	(28,661)	(82)	-	-	28,743	-
Promotora de Emisoras de Televisión, S.A.	(102,766)	(4)	-	-	102,770	-
Diario El País México, S.A. de C.V.	(863)	(40)	-	-	-	(903)
Prisa Noticias, S.L.	-	-	-	-	-	-
Promotora General de Revistas, S.A.	(2)	-	-	-	-	(2)
Prisa Audiovisual, S.L.U.	(1,789)	-	-	(1,575)	3,364	-
Prisa Gestión de Servicios, S.L.	(3)	-	-	(1,965)	1,968	-
Prisa Participadas, S.L.U.	(5,931)	(193,279)	-	-	-	(199,210)
Promotora de Actividades América 2010, S.L.	(10)	-	-	-	-	(10)
Promotora de Actividades Audiovisuales de Colombia, Ltda.	(4)	-	-	-	-	(4)
Vertix, SGPS, S.A.	(320,277)	(75,789)	-	-	-	(396,066)
Prisa Activos Educativos, S.L.	-	-	-	-	-	-
Prisa Activos Radiofónicos, S.L.	-	-	-	-	-	-
Prisa Gestión Financiera, S.L.	-	(63)	-	-	-	(63)
In associates	**(1,139)**	**-**	**-**	**-**	**-**	**(1,139)**
Total impairment losses	**(500,280)**	**(270,786)**	**-**	**(3,540)**	**177,209**	**(597,397)**
Net Value	**962,016**	**(67,925)**	**(10)**	**(3,540)**	**(38,706)**	**851,835**

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 2018 which gave rise to the aforementioned changes are as follows:

Additions and transfers

In March 2018, Prisa Activos Educativos, S.L. (Sole proprietorship) was established through the contribution of EUR 3 thousand.

In March 2018, Prisa Gestión Financiera, S.L. (formerly Santillana Canarias, S.L.) is purchased to other Group company for the amount of EUR 63 thousand.

In April 2018, a partner contribution was made for the amount of EUR 1,578 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 March and April 2018, partner contributions were made for the amount of EUR 355 and EUR 1,614 thousand to Prisa Gestión de Servicios, S.L. with the aim of re-establishing this company's equity balance.

In May 2018 the partial spinoff from Prisa Participadas, S.L. (Sole propietorship) took place, of its stake in Prisa Radio, S.A. to the new company Prisa Activos Radiofónicos, S.L. (Sole proprietorship), constituted at that time by the Company as sole partner, and of its stake in Prisaprint, S.L. to the company Prisa Noticias, S.L. (Sole proprietorship). This transaction was considered to be a non-monetary contribution by the Company to these companies and was valued at the carrying amount of the specific assets and liabilities provided in the consolidated annual accounts at the date the transaction is carried out, according to the Rules for the Formulation of the consolidated annual accounts, which develop the Commercial Code, which amounted to EUR 154,860 thousand and EUR 4,005 thousand, respectively.

In December 2018, the stake was increased in Prisa Activos Radiofónicos, S.L. (Sole proprietorship) (EUR 330 thousand), Prisa Activos Educativos, S.L. (Sole proprietorship) (EUR 586 thousand), Prisa Participadas, S.L. (Sole propietorship) (EUR 78 thousand) and Prisa Noticias, S.L. (Sole proprietorship) (EUR 336 thousand), associated with the Long-Term Incentive Plan approved in April 2018 aimed at members of senior management and certain executives of Group subsidiaries (*see Note 13*). For the Company, this operation is classified as a contribution to its subsidiaries recorded as a gain in the value of the investment.

Disposals

In May 2018, a non monetary contribution was made to Promotora de Emisoras, S.L. involving 100% of the shares owned by Prisa in the company Promotora de Emisoras de Televisión, S.A., with a carrying amount of EUR 3,746 thousand. The contributions have been posted at consolidated values.

In May 2018, a non monetary contribution was made to Prisa Participadas, S.L. (Sole proprietorship) involving 100% of the shares owned by Prisa in the company Prisa Brand Solutions, S.L. (Sole proprietorship), with a carrying amount of EUR 7,716 thousand; in the company Promotora de Emisoras, S.L. with a carrying amount of EUR 27,237 thousand; in the company Prisa Gestión de Servicios, S.L with a carrying amount of EUR 0 thousand and in the company Prisa Audiovisual, S.L (Sole proprietorship), 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 816 thousand to reserves (see *Note 8*).

2017

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

	Balance at 12/31/2016	Additions	Reversals	Transfers	Disposals	Balance at 12/31/2017
Cost						
Investments in Group companies	**1,700,010**	**9,266**	**-**	**-**	**(248,156)**	**1,461,120**
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
Vertix SGPS, S.A.	639,061	-	-	-	-	639,061
Investments in associates	**1,176**	**-**	**-**	**-**	**-**	**1,176**
Total cost	**1,701,186**	**9,266**	**-**	**-**	**(248,156)**	**1,462,296**
Impairment losses						
In Group companies	**(666,161)**	**(79,756)**	**406**	**(1,786)**	**248,156**	**(499,141)**
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)
Vertix SGPS, S.A.	(241,160)	(79,117)	-	-	-	(320,277)
In associates	**(1,134)**	**(5)**	**-**	**-**	**-**	**(1,139)**
Total impairment losses	**(667,295)**	**(79,761)**	**406**	**(1,786)**	**248,156**	**(500,280)**
Net Value	**1,033,891**	**(70,495)**	**406**	**(1,786)**	**-**	**962,016**

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.

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.

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, 2018 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 11% (from 8.5% to 10.5% in 2017).

An analysis of the sensitivity of the main hypotheses of the impairment test has been conducted, analyzing the difference between the carrying amount and its recoverable amount in the scenarios envisaged by the Company's Management in its estimates.

Prisa Noticias, S.L. (Sole proprietorship)-

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% al 1% respectively in 2017).

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

Prisa Activos Radiofónicos, S.L. (Sole proprietorship)

In order to determine the value in use of the business of Prisa Activos Radiofónicos, S.L. (Sole proprietorship), the Management has based itself on the estimated value of its main asset: Prisa Radio, S.A. ("Prisa 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 discount rate used for Prisa Radio is from 8.5% to 10.5% (from 8.5% to 10.5% in 2017). The growth rate used is from 2% to 4% (from 0% to 2.5% in 2017).

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

Prisa Activos Educativos, S.L. (Sole proprietorship)

In order to determine the value in use of the business of Prisa Activos Educativos, S.L. (Sole proprietorship), the Management has based itself on the estimated value of its main asset: Grupo Santillana Educación Global, S.L. ("Santillana").

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 and the periods without news in Spain, where a slight decrease is projected. The Management estimates that expenses will be in line with revenue growth.

The discount rate used for Santillana is from 8.5% to 11% (from 8.5% to 10.5% in 2017). The growth rate used is from 3.5% to 5.5% (from 0% to 2.5% in 2017).

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

Vertix SPGS, S.A.

In order to determine the value in use of the business of Vertix, SGPS, the Management has based itself on the estimated value of its main asset: Media Capital. Advertising revenues represent the main source of revenues of Media Capital. Therefore, the main variables used by management to determine the value in use of Media Capital were as follows:

Evolution of the advertising share- management predicts a maintaining in the advertising share in the future projections of TVI, Media Capital's free-to- air TV channel.

Variations in the advertising market – management has adjusted its projections for the advertising market to the current and new macroeconomic environment in Portugal, according to internal estimates. In this respect, the long-term growth prospects of free-access television advertising investment are expected to decrease as a result of the uncertainty that has arisen with respect to the development of this sector in Europe, especially since the second quarter of 2018.

The discount rate used is from 8.5% to 10%. The growth rate used is from 0% to 1.5%.

The Vertix SPGS, S.A. impairment is the result of increasing the applicable discount rate, and decreasing the long term growth rate, of Media Capital, due to developments that have taken place in 2018, especially during the second half. Among them we see increased Portugal country risk due to rising geopolitical uncertainty in Europe, and increased market volatility and lower long term growth prospects in the free-to-air television industry in Europe, all of which have negatively impacted the valuation of comparable companies. Taking these adjustments into account in our impairment test, an impairment of EUR 75,789 thousand was recorded in the attached income statement in 2018.

After the impairment recorded, the book value of Vertix SPGS, S.A. is equivalent to the value in use, so that an adverse variation in the individual hypotheses considered as used in the valuation could imply the recognition of impairment in the future.

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, there would be an impairment of approximately EUR 18.7 million. In the event that the expected growth rate from the fifth year was reduced by 0.5%, would suppose an impairment of investment of approximately EUR 13.4 million. Finally, a decrease of 1% in the growth of the advertising market in Portugal would suppose an impairment of goodwill of approximately EUR 32.6 million.

In 2017 an impairment of EUR 79,116 thousand was recorded in the attached income statement, as a result of the decrease in the long term growth rate of Vertix SPGS, S.A., mainly due to the negative evolution of the advertising market in that year.

In addition, the valuation of the investment in Prisa Participadas, S.L. (Sole Proprietorship) is carried out taking into consideration its equity, considered as the best evidence of the recoverable amount.

Available-for-sale financial assets

This heading includes Prisa's stake in Mediaset España Comunicación, S.A., which at December 31, 2018 represents 0.032% of this company's equity for a value of EUR 572 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 5.49) to calculate the fair value of this investment at December 31, 2018 (EUR 9.36 at December 31, 2017). The decrease in fair value of EUR 409 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 2,329 thousand at December 31, 2018 (EUR 2,324 thousand at December 31, 2017). This heading also included at December 31, 2018 EUR 13,588 thousand of balances and interest payable for Prisa Gestión Financiera, S.L., new centralizing company of the Group's cash pool balances since April 2018 (formerly managed by Prisa Participadas, S.L (Sole proprietorship)) arising from cash pooling. (EUR 26,661 thousand at December 31, 2017 payable to Prisa Participadas, S.L. (Sole proprietorship).

In addition, 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 43,386 thousand at December 31, 2018 (EUR 33,893 thounsand at December 31, 2017).

It also includes the balances with Group companies derived from the services provided by the Company to them for the amount of EUR 1,339 thousand at December 31, 2018 (EUR 3,516 thousand at December 31, 2017).

Held-to-maturity investments

At December 31, 2018 and 2017, Promotora de Informaciones, S.A. recognised an amount of EUR 6,500 thousand under this heading corresponding to banks deposits constituted.

7.2. FINANCIAL LIABILITIES

Loans and payables

Classes	Thousands of euros									
	Non-current				Current					
	Bank borrowings		Debts, derivatives and other		Bank borrowings		Loans, derivatives and other		Total	
Categories	**12/31/18**	**12/31/17**	**12/31/18**	**12/31/17**	**12/31/18**	**12/31/17**	**12/31/18**	**12/31/17**	**12/31/18**	**12/31/17**
Loans and payables	423,905	623,756	-	-	532	948,850	42	15,733	424,479	1,588,339
Group companies and associates	-	-	187,480	94,626	-	-	14,819	34,632	202,299	129,258
Total	**423,905**	**623,756**	**187,480**	**94,626**	**532**	**948,850**	**14,861**	**50,365**	**626,778**	**1,717,597**

Bank borrowings

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

2018

	Maturity Date	Limit	Draw down amount maturing at short term	Draw down amount maturing at long term
Sindicated Loan Tranche 2	nov-2022	370,242	-	370,242
Sindicated Loan Tranche 3	dec-2022	62,350	-	62,350
Interest and others	2019	-	532	-
Fair Value of financial instruments	dec-2022	-	-	(8,687)
Total		**432,592**	**532**	**423,905**

2017

	Maturity Date	Limit	Draw down amount maturing at short term	Draw down amount maturing at long term
Sindicated Loan Tranche 2	dec-2018	956,512	956,512	-
Sindicated 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**

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 405,604 thousand at December 31, 2018, 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 6.36% average discount over the real principal payment obligation to the creditor entities.

Syndicated loan (Tranche 3) and PPL

During the first semester of 2018, the Company transferred the amount of EUR 183,928 thousand of Participative Loans (PPL) to Tranche 3 of debt. Likewise, during the same period, a capitalizable cost (PIK) of the Participative Loans (PPL) and Tranche 3 was accrued for amounts of EUR 4,526 and EUR 4,161 thousand respectively.

Refinancing-

On January 22, 2018, the Company signed with all the financial creditors of the *Override Agreement* (agreement to refinance the Group's debt signed in December 2013) an agreement to refinance and modify the terms of Prisa's in forced financial debt. On June 29, 2018, the refinancing agreement (the Refinancing) came into effect, once the agreements reached with all of its creditors were concluded.

The Refinancing agreement was a first repayment of EUR 480,000 thousand made on June 29, 2018, which were intended to amortise debt.

Therefore, as part of the refinancing of its financial debt, the Company agreed to the renewal of its syndicated loan amounting to EUR 1,117,592 thousand (once the previous repayment was made), which is structured in two sections with the following characteristics:

- The amount of the debt of Tranche 2 is set at EUR 370,242 thousand and the maturity of which is extended to November 2022.
- The amount of the debt of Tranche 3 is set at EUR 62,350 thousand and with a maturity that is extended to December 2022.
- The cost of the debt of Tranches 2 and 3 is referenced to the Euribor plus a negotiated margin, equal for both tranches.

- The payment schedule establishes two partial and obligatory debt repayments on December 31, 2020 and 2021 for EUR 15,000 and 25,000 thousand respectively that correspond to Prisa and Prisa Activos Educativos, S.L. (Sole proprietorship) in solidarity, as well as additional partial amortisations in 2021 and 2022 conditioned on the cash generation of the Prisa Group.

- The financial creditors have agreed that Tranche 2 is preferred over Tranche 3.

- The partial modification of the package of debt guarantees.

The Company's Refinancing agreement contemplates the mechanism of automatic conversion of Tranche 3 debt to Tranche 2 as the aforementioned Tranche 2 is reduced by forced or voluntary amortization debt. On June 30, 2018 the Profit Participating Loans (PPL) conversed to Tranche 2 and 3.

Likewise, the Refinancing agreement has involved a restructuring of the debt, which has included a new borrower, Prisa Activos Educativos, S.L. (Sole proprietorship), which has assumed nominal debt of Prisa for an amount of EUR 685,000 thousand, within the framework of a reorganisation of the Prisa Group, which, among other aspects, allows part of the debt to be allocated in the Education business unit, the main cash generating unit of the Group, in order to meet the payments associated with the debt. The rest of the amount of the debt remains recorded in Prisa.

Compliance with certain financial ratios is established in the financial agreements for the Prisa Group, which have been complied with since the Refinancing came into force. These contracts also include provisions on cross-default, which could cause, if the breach exceeds certain amounts, the early maturity and resolution of the contract in question, including the Override Agreement. Since the Refinancing came into force no such breaches have occurred.

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 Company carried out an analysis of the conditions agreed upon in the framework of the refinancing carried out, concluding that they constituted a substantial modification of the previous conditions, for which reason the original financial liability cancelled and a new liability derived from the refinancing recognised. The initial recognition of the financial liability made at fair value of the debt. A financial income amounting to EUR 9,733 thousand recognised in "*Fair value of financial instruments*" in the accompanying income statement, for the difference between the nominal value of the debt and its fair value at the date it was initially recorded. To determine the fair value a credit risk arising from a report provided by an independent expert regarding the transactions made in the secondary debt market used (level 2 variables, estimates based on other observable market methods). The fair value of the Refinancing debt, according to this calculation, amount to EUR 422,859 thousand at June 30, 2018. All of the expenses and commissions corresponding to the financial indebtedness have been recognised in "*Financial costs on debt with third parties*" of the accompanying income statement.

Other aspects of debt-

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

Personal guarantees

Tranches 2 and 3 of Prisa's debt, which correspond to the debt refinanced in June 2018, are jointly and severally guaranteed by Prisa and the companies Diario El País, S.L., Distribuciones Aliadas, S.A.U., Grupo de Medios Impresos y Digitales, S.L.U., Norprensa, S.A.U., Prisa Activos Educativos, S.L. (Sole proprietorship), Prisa Activos Radiófonicos, S.L.U., Prisa Noticias, S.L. (Sole proprietorship), Prisaprint, S.L.U and Prisa Gestión Financiera, S.L.U.

In addition, Vertix, SGPS, S.A.U. guarantees Tranches 2 and 3 limited to a maximum amount of EUR 600,000 thousand.

Guarantees

As a consequence of the Refinancing of June 2018, Prisa pledged on certain owned bank accounts and, furthermore, Norprensa, S.A.U. and Distribuciones Aliadas, S.A.U. pledged on credit rights derived from certain material contracts, all in guarantee of the aforementioned creditors.

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) and the 100% of the investments (100% share capital) in Prisa Activos Educativos, S.L. (Sole proprietorship)U., Prisa Activos Radiofónicos, S.L. (Sole proprietorship)U., Prisa Noticias, S.LU., Prisaprint, S.L.U. and Prisa Gestión Financiera, S.L.U. was also pledged, thereby insuring Tranches 2 and 3.

Other aspects

Grupo Santillana Educación Global, S.L. and Grupo Media Capital, SGPS, S.A. assume certain restrictions in relation to financing contracts, thus restricting the actions and operations that can be carried out.

Credit facilities and other debts with credit institutions-

On June 29, 2018, and within the framework of Refinancing the debt, the Company established a Super Senior credit policy for a maximum amount of up to EUR 86,500 thousand, of which EUR 50,000 thousand have the objective of financing the Company's operating needs. As of December 31, 2018 no drawdowns have been made. The guarantee structure of this Super Senior credit policy is the same as the one mentioned above relating to Tranche 2 and 3 of the debt of Prisa, in such a way that the creditors of said credit policy and those of Tranche 2 and 3 have the same guarantees. However, the Super Senior credit policy has a preferential rank with respect to Tranches 2 and 3 in relation to said guarantees. Also, Grupo Santillana Educación Global, S.L. and Grupo Media Capital, SGPS, S.A., indirectly participated by the Company, they also assume certain restrictions in relation to this credit policy.

Payable to Group companies and associates

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

2018

	Non-current	Current
Investment tax credits	9,988	-
Other payables	177,492	14,819
Total	**187,480**	**14,819**

2017

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

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, 2018 and 2017 with maturity date January 1, 2023. In addition, at December 31, 2018 includes the loan granted by this same company for the amount of EUR 115,000 thousand with maturity date January 1, 2023.

Other current payables-

At December 31, 2018 this heading includes, on the one hand, the tax account payable to the Spanish Tax Group companies for the liquidation of the consolidated Corporate tax for EUR 14,336 thousand (EUR 7,624 thousand at December 31, 2017). On the other hand, interest pending payment related to the loans mentioned in the previous section for an amount of EUR 253 thousand.

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.

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.

	2018	**2017**
	Days	***Days***
Average payment period to suppliers	61	64
Ratio paid operations	61	67
Ratio of outstanding payment transactions	33	37
	Amount (thousands of euros)	
Total payments	58,839	24,910
Total outstanding payments	741	2,971

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 2018 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.

7.3- 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, 2018, the Company still maintains a net bank debt level of EUR 425,433 thousand. This debt indicator includes non-current and current bank borrowings, excluding loan arrangement costs, diminished by current financial assets, cash and cash equivalents.

On June 29, 2018, within the framework of debt Refinancing (*see note 7.2*), the Company established a Super Senior credit policy until June 2023, in the amount of EUR 50,000 thousand, to finance the Company's operating needs. As at 31 December 2018, no drawdowns of the aforementioned policy have been made.

Interest rates risk exposure-

The 100% 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, 2018 and in 2017 is summarized in the attached statement of changes in equity.

Share capital

On January 1, 2018, the share capital of Prisa amounted to EUR 83,498 thousand and was represented by 88,827,363 ordinary shares with a nominal value of EUR 0.94 each.

During 2018 the following operations have been carried out and have modified the share capital of Prisa:

i. In February 2018, a capital increase was carried out, with preferential subscription rights, amounting to EUR 441,189 thousand, through the issuance and subscription of 469,350,139 new ordinary shares of the Company, EUR 0.94 of nominal value each, of the same class and series as the rest of the outstanding shares. The issuance rate of the shares was EUR 1.20 (EUR 0.94 of nominal value and with an issue premium of EUR 0.26 each).

ii. The total effective amount of the capital increase, considering the nominal value of the shares (EUR 441,189 thousand) and the issue premium (EUR 122,031 thousand) has amounted to EUR 563,220 thousand.

iii. In relation to the *Warrants* 2013 issued pursuant to the resolutions passed at the General Shareholders 'Meeting of the Company held on December 10, 2013 (the "General Shareholders' Meeting"):

   • In September 2018, 2,683,063 Warrants 2013 were exercised, which resulted in the subscription of 140,524 newly issued ordinary shares each with a nominal value of EUR 0.94 each. The amount of the corresponding capital increase was EUR 132 thousand.

   • In December 2018, 1,696,832 Warrants 2013 were exercised, which resulted in the subscription of 88,870 newly issued ordinary shares with a face value of EUR 0.94 each. The amount of the corresponding capital increase was EUR 83 thousand.

As a result, as of December 31, 2018, share capital of Prisa amounts to EUR 524,902 thousand and is represented by 558,406,896 ordinary shares, all belonging to the same class and series, with a nominal value of EUR 0.94 each, fully subscribed and with identical rights.

Share capital is fully subscribed and paid up.

Extinction of the *Warrants 2013*:

In accordance with the resolutions of the General Shareholders' Meeting of December 10, 2013, in December 2018 the term of 5 years for the exercise of the Warrants 2013 has expired. As a result, all the 2013 Warrants pending of exercise as of such date have been extinguished, as well as the non-compensated credits as a result of not having exercised them.

At December 31, 2018, 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.

Shareholder's Name	Number of Direct Voting Rights	Number of Indirect Voting Rights	Total % of Voting Rights (1)
AMBER CAPITAL UK LLP (2)	-	150,868,964	27.02%
HSBC HOLDINGS PLC	-	55,891,070	10.01%
TELEFONICA, S.A.	52,708,767	-	9.44%
RUCANDIO, S.A.	-	46,328,108	8.30%
ADAR CAPITAL PARTNERSE LTD (3)	-	40,703,256	7.29%
INTERNATIONAL MEDIA GROUP, S.A.R.L (4)	36,997,487	-	6.63%
GHO NETWORKS, S.A. DE CV	-	28,011,547	5.02%
CARLOS FERNANDEZ GONZALEZ (5)	-	22,474,798	4.02%

The aforementioned indirect shareholding is held as follows:

Indirect Shareholder's Name	Direct Shareholder's Name	Number of Direct Voting Rights	Total % of Voting Rights
AMBER CAPITAL UK LLP	AMBER ACTIVE INVERSTORS LIMITED	69,765,512	12.49%
AMBER CAPITAL UK LLP	AMBER GLOBAL OPPORTUNITIES LIMITED	17,458,271	3.13%
AMBER CAPITAL UK LLP	OVIEDO HOLDINGS, S.A.R.L	63,645,181	11.40%
HSBC HOLDINGS PLC	HSBC BANK PLC	55,891,070	10.01%
RUCANDIO, S.A.	RUCANDIO INVERSIONES, SICAV, S.A.	71,246	0.01%
RUCANDIO, S.A.	PROMOTORA DE PUBLICACIONES, S.L.	125,949	0.02%
RUCANDIO, S.A.	AHERLOW INVERSIONES, S.L.	46,130,913	8.26%
ADAR CAPITAL PARTNERSE LTD	ADAR MACRO FUND LTD	40,703,256	7.29%
GHO NETWORKS, S.A. DE CV	CONSORCIO TRANSPORTISTA OCCHER, S.A. DE CV	28,011,547	5.02%
CARLOS FERNANDEZ GONZALEZ	FCAPITAL LUX S.A.R.L.	22,474,798	4.02%

(1) The percentages of voting rights have been calculated on the total voting rights in Prisa at December 31, 2018 (i.e. 558,406,896 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, through Amber Capital UK LLP, 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) Adar Macro Fund Ltd. is a company controlled and managed by Adar Capital Partners Ltd., a management company that exercises the voting rights of the shares held by Adar Macro Fund Ltd. in a discretionary manner. Adar Capital Partners Ltd is a company wholly owned by Welwel Investments Ltd. which, in turn, is a company wholly owned by Zev Marynberg. Adar Macro Fund has also notified the CNMV that it is the holder of financial instruments (SWAP) that would allow it to acquire 390,000 voting rights of the Company (that represents a 0.07% of the share capital), if they were exercised or exchanged.

(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) Mr Carlos Fernández González controls the majority of the capital and voting rights of Grupo Far-Luca, S.A. de C.V., the owner of 99% of Grupo Finaccess, S.A.P.I. de C.V., which in turn owns 99.99% of the capital and voting rights of Finaccess Capital, S.A. of C.V. The latter holds the majority of the voting rights of FCapital Dutch, B.V., which is in turn the holder of 100% of the capital and voting rights of FCapital Lux S.à.r.l.

Finally, in addition to the voting rights that are reflected in the previous tables, as stated on the CNMV website, at February 2017, Banco Santander, S.A. it was the direct holder of 1,074,432 voting rights and indirectly of 2,172,434 voting rights of Prisa, through the following companies: Cántabra de Inversiones, S.A., Cántabro Catalana de Inversiones, S.A., Fomento e Inversiones, S.A. and Suleyado 2003, S.L.

It is also noted that certain group companies whose dominant entity is Banco Santander, subscribed in 2017 1,001,260 shares as part of the capital increase for the conversion of the necessarily convertible bonds of Prisa issued in 2016, which included the same number of voting rights as those corresponding to the ordinary shares of the Company.

However, Banco Santander has not updated its position in the CNMV, taking into account the current amount of the share capital of Prisa.

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 2018 are the following:

- In February 2018, as a consequence of the capital increase described above, the share premium was increased at EUR 122,031 thousand.

- Additionally, as a result of the warrant conversions described above (*see section "Share Capital"*), the share premium was increased at EUR 1,624 thousand.

Pursuant to these changes and their associated costs of EUR 17,145 thousand the amount of the share premium at December, 31, 2018 is EUR 201,512 thousand and is available in full (EUR 95,002 thousand at December, 31, 2017).

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 had 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 had 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 had also been increased through a share capital reduction for the amount of EUR 7,050 thousand.

This way the balance of this account at December 31, 2018 and 2017 amounts to EUR 7,050 thousand.

Reserve for treasury shares-

Article 142 of the Consolidated Text of the Corporate Enterprises Act states that when a company acquires treasury shares, it must record in equity 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 2,856 thousand (at December 31, 2017, EUR 694 thousand).

Bylaw-stipulated reserves-

Under Article 32 of the Company's bylaws, effective until April 25, 2018, at least 10% of the profit after tax had to 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 obligation to provide this reserve was deleted from the rewritten text of the Company's bylaws approved by the Ordinary General Shareholders' Meeting held on April 25, 2018 and effective as of that date.

At the Extraordinary Shareholders' Meeting held on November 15, 2017, the entire "bylaw-stipulated 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 that were carried out in 2017, leaving this reserve at that time at EUR 0. The balance of this account is maintained if the distribution of results for the year 2018 has not been approved at the date of preparation of these financial statements.

Voluntary reserves-

In the financial year 2018 the changes in this account were mainly as follows:

- Increase of EUR 158,865 thousand due to a partial spinoff from Prisa Participadas, S.L. (Sole proprietorship) of its stake in Prisa Radio, S.A. (EUR 154,860 thousand) and Prisaprint, S.L. (EUR 4,005 thousand), which was considered to be a dividend in kind to the Company (s*ee note 7.1*).

- Increase of EUR 816 thousand due to a non-monetary contribution to Prisa Participadas, S.L. (Sole proprietorship) from Prisa Brand Solutions, S.L. (Sole proprietorship), Promotora de Emisoras, S.L., Prisa Gestión de Servicios, S.L. y Prisa Audiovisual, S.L. (Sole proprietorship) (*see note 7.1*).

- Decrease of EUR 2,614 thousand due to operations carried out in the year with treasury shares (*see section "Treasury shares").*

- In addition, in 2018 the Company recognised other reserves related to the Long-Term Incentive Plan (*see note 13*) expense provision for the year amounting to EUR 2,235 thousand and for the amount of other equity instruments associated with the Warrants 2013, which in the end were not converted into share capital and share premium that amounted to a EUR 44,638 thousand.

The balance at December 31, 2018 of this item amounts to a positive amount of EUR 193,078 thousand (EUR 18,819 thousand positive at December 31, 2017).

Other 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 at Decembrer 31, 2018 and 2017 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*" amounts to EUR 594,718 thousand (EUR 463,120 thousand at December 31, 2017).

Treasury shares

The changes in *"Treasury shares"* in 2018 and 2017 were as follows:

	Year 2018		Year 2017	
	Number of shares	Amount (thousand of euros)	Number of shares	Amount (thousand of euros)
At beginning of year	**270,725**	**694**	**330,407**	**1,735**
Purchases	1,370,839	2,709	-	-
Deliveries	(18,672)	(95)	(59,682)	(366)
Reserve for treasury shares	-	(452)	-	(675)
At end of year	**1,622,892**	**2,856**	**270,725**	**694**

At December 31, 2018, Promotora de Informaciones, S.A. held a total of 1,622,892 treasury shares, representing 0.291% of its share capital.

Treasury shares are valued at market price at December 31, 2018 (EUR 1.760 per share). Their total cost is EUR 2,856 thousand.

At December 31, 2018, 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.

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.

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.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.

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").*

Lastly, on June 29, 2018, the agreement reached with all the financial creditors of the *Override Agreement (*agreement to refinance the Company's debt signed in December 2013), to refinance and modify the terms of Prisa's current financial debt, came into effect. This agreement enables the maturity schedule of bank debt to be adapted to the cash generation profile of the Group's businesses, allowing the maturity of the 2018 and 2019 debt to be extended to 2022, with there being no repayment obligations until December 2020. Moreover, and as one of the prerequisites for the agreement coming into force, the Company paid EUR 480,000 thousand of debt with funds from the aforementioned capital increase and with the cash available to the Company (*see note 7.2*).

9. TAX MATTERS

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

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

	Thousands of Euros	
	2018	**2017**
Sum of individual tax bases	**(20,616)**	**(152,067)**
Offset of tax losses arising prior to inclusion in the Group	-	-
Offset of Group tax losses	-	-
Consolidated taxable profit	**(20,616)**	**(152,067)**
Consolidated gross tax payable	**-**	
Double taxation tax credits generated	(536)	(1,123)
Investment tax credits	-	-
Donations tax credits	-	-
Net tax payable		
Withholdings from tax group	**(162)**	(32)
Advance payments	-	
Income tax refundable	**(162)**	**(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 2018 and 2017 is as follows (in thousands of Euros):

	2018			2017		
	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	**110,201**	**-**	**110,201**	**(123,591)**	**(38)**	**(123,629)**
Income tax *	(11,075)	-	**(11,075)**	(22,553)	(12)	**(22,565)**
Adjustment of prior years' income tax *	(9,863)	-	**(9,863)**	(4,272)	-	**(4,272)**
Derecognition of tax credits *	153,631	-	**153,631**	11,401	-	**11,401**
Individual permanent differences *	(307,811)	-	**(307,811)**	48,803	-	**48,803**
Individual temporary differences *	1,002	**-**	**1,002**	39,361	**-**	**39,361**
Taxable profit	**(63,915)**	**-**	**(63,915)**	**(50,851)**	**(50)**	**(50,901)**

*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 273,328 thousand, (ii) a negative adjustment of the exemption of dividends, for EUR 587,520 thousand, to which article 21 of the Spanish Corporation Tax Law applies, (iii) a negative adjustment of the tax merger difference corresponding to 2018 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 162 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 196 thousand, (vi) 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 25,599 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 the differing accounting and tax recognition criteria of several expenses, which entails a positive net integration into the taxable profit of EUR 1,188 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 2017 for the amount of EUR 172 thousand, the reversal of the provision for taxes described in Note 12 which resulted in an income of EUR 8,308 thousand, the impact of the Inspection of the period 2012 to 2015 that resulted in an income of EUR 906 thousand and the derecognition of the tax credits referred to below, for an amount of EUR 153,637 thousand.

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):

	2018			2017		
	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	**242,894**	**-**	**242,894**	**(139,015)**	**(51)**	**(139,066)**
Rate os 25%/ 28%	60,724	-	**60,724**	(34,754)	(13)	**(34,767)**
Individual permanent differences on consolidation	(76,952)	-	**(76,952)**	12,201	-	**12,201**
Impact of temporay differences	251	-	251	9,840	-	9,840
Current Income tax	**(15,978)**	**-**	**(15,978)**	**(12,713)**	**(13)**	**(12,726)**
Deferred income tax	**(251)**	**-**	**(251)**	**(12,713)**	**-**	**(12,713)**
Adjustment of prior yearsíncome tax	**(9,863)**	**-**	**(9,863)**	**(9,840)**	**-**	**(9,840)**
Adjustment no generation of DTA by NOLs	**5,154**		**5,154**			
Loss of tax credits	**153,631**	**-**	**153,631**	**11,401**	**-**	**11,401**
Withholdings	**-**	-	**-**	**-**	-	**-**
Total income tax	**132,693**	**-**	**132,693**	**(23,864)**	**(13)**	**(23,877)**

* 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, 2018 is as follows (in thousands of Euros):

	Receivable		Payable	
	Current	Non-current	Current	Non-current
Income tax refundable/payable	2,519	-	-	-
Deferred tax assets arising from unused tax credits	-	18,731	-	-
Deferred tax assets arising from negative tax losses upon tax consolidation	-	5,878	-	-
Deferred tax assets arising from temporary differences	-	45,660	-	-
VAT, personal income tax withholdings, social security taxes and other	370	-	3,652	-
Total	**2,889**	**70,269**	**3,652**	**-**

The detail of the balances with Tax Authorities at December 31, 2017 was 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**

Deferred tax assets and liabilities

Deferred tax assets-

The pending long-term credit vis-à-vis the Tax Authorities for an amount of EUR 70,269 thousand at December 31, 2018, recorded under "*Deferred tax assets*" corresponds mainly,

- (i) The amount of the deductions for double taxation and investments (other than deductions for export activities) generated by the tax Group which, even though they have not been applied, are registered in the accounting records. Net variation in this respect for the year has entailed a net withdrawal of EUR 51,559 thousand.

- (ii) The taxable losses of the Consolidated Tax Group for the financial years 2011, 2012, 2013, 2014, 2015 and 2017, which are partially capitalized and pending application. Net variation in this respect for the year has entailed a net withdrawal of EUR 61,608 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 a withdrawal of EUR 80,005 thousand.

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

Year of generation	ACTIVATED	NON-ACTIVATED
	Amount (thousand of euros)	Amount (thousand of euros)
2011	5,702	132,424
2012	9,503	216,058
2013	894	49,346
2014	5,291	62,717
2015	1,714	632,855
2017	415	159,806
2018	-	20,616
TOTAL	**23,519**	**1,273,822**

Once the analysis of the recovery of tax credits has been carried out, in accordance with the criteria established by accounting standards, tax credits corresponding to the following were written off in the balance sheet at December 31, 2018: (i) deductions for investments for a total amount of EUR 25,122 thousand; (ii) deductions for double taxation for the amount of EUR 27,315 thousand; (iii) tax credits derived from the non-deductibility of the net financial expense for the amount of EUR 35,805 thousand; and (iv) credits for negative tax bases for the amount of EUR 106.544 thousand, generating a higher tax expense for the amount of EUR 153,631 thousand.

These write-offs are derived, essentially, from (i) a perspective of cash optimization in line with long-term projections of Prisa, (ii) the Refinancing impact described in the note 7.2 that supposes a greater deductible annual financial expense in the future, that reduces the use of the tax credits and (iii) the result of the Tax Audit completed in 2018 corresponding to the Corporate Tax of the Prisa consolidation group for the period from 2012 to 2015, which generated a reallocation of credits, as a result of the increase of the deductible financial expenses in 2014 and 2015, increasing the tax loss carry forwards. To the extent that the tax loss carry forwards have limitations on their recoverability (25% of the positive result of the year), this reallocation from a category to another one has negatively impacted by their recovery.

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, 2018 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 (thousand of euros)	Amount (thousand of euros)
2022	-	2,213
2023	-	6,378
2024	-	7,803
2025	-	31,564
2026	-	10,956
2027	-	4,174
2028	3,107	4,950
2029	82	9,644
2030	43	5,218
2031	468	1,742
2032	24	860
2033	-	85
2034	-	53
2035	-	989
No limits	15,040	37,922
TOTAL	**18,764**	**124,551**

The business plans, on which the recovery of the deferred tax assets of the Group is based, are updated taking into account the operational performance of the companies, the development of the long-term strategy of the Group, and a series of macroeconomic and sectoral hypotheses for all the businesses. Maintaining the leadership position of the Group in the sectors in which it operates were also considered. Forecasts and studies conducted by third parties were taken also into account during its development.

Santillana in Spain predicts an increase in revenue as a result of content renewals pursuant to education cycles, digital developments and growth initiatives in the area of extra-curricular activities.

Projections take into account growth in the advertising sector in line with the latest studies available and the leadership position in the different businesses in which 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.

In News, projections include progress of businesses towards a fundamentally digital model with a higher contribution margin. Furthermore, decreases in costs are expected as a result of the adjustment plans carried out in the business structure, mainly in printing and distribution.

Finally, efficiency processes on corporate services will continue, which will be decreased in coming years.

Years open to examination by the tax authorities

The verification actions for the consolidated Corporate Tax for 2003 to 2005 ended with a Notice of disagreement for the amount of EUR 20,907 thousand. In response to this Notice, the Company filed the pertinent claims and judicial appeals, which were completed in 2016 with a partially upheld sentence that was finalised. In 2017, the aforementioned ruling of the National Court was enforced by the Tax Administration, which entailed a return of EUR 6,874 thousand, which generated an income from Corporate Tax of EUR 2,814 thousand and the rest of the amount was recorded on the income statement according to the nature of the item.

In 2013 the tax consolidation audits of the Group for the Corporate Tax corresponding to 2006 to 2008 ended with the opening of a signed Notice of disagreement for the amount of EUR 9 thousand, which was paid by the Company. However, the Company was not in agreement with the criteria maintained by the audit in the regularisation proposed by it, and the relevant claims and appeals have been filed, and on the date of formulation of these statements, they are pending resolution before the National Court.

With regard to the Value Added Tax for the period from June 2007 to December 2008, the audits were finalised in 2013 with the opening of two Notices, one for EUR 539 thousand, and the other for EUR 4,430 thousand, both of which have been the subject of economic-administrative appeals before the TEAC. A resolution partially upheld by the TEAC was received against the one filed in the corresponding administrative resource that is pending resolution. The tax debt arising from these Notices was paid.

The audit procedure regarding the Value Added Tax for the period of May 2010 to December 2011 of VAT Group 105/08 of which Promotora de Informaciones, S.A. is the parent company, ended with the signing of a Notice of agreement for the amount of EUR 512 thousand, which was paid and recorded in 2016; and another Notice of disagreement for the amount of EUR 7,785 thousand, which, although it has been appealed, was also paid and recorded with a charge to the profit and loss account. No additional equity impact will be derived from any of these actions. No additional equity impact will be derived from these actions.

Similarly, 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, of which Promotora de Informaciones, S.A. is the parent company were completed in 2016, resulting, in the signing of an Act of Non-Compliance with no result to be entered, and its effect recorded in the accounts. The Company filed the corresponding economic-administrative appeal with the TEAC, and then, a contentious-administrative appeal with the National Court, which is currently pending resolution. No additional equity impact will be derived from any of these actions.

The audits related to withholdings of Personal Income Tax for the period from 2013 to December 2015 and withholdings of Non-Resident Income Tax corresponding to the same tax periods were completed in 2018, without any regularisation being derived from them.

The audits related to Value Added Tax have also been completed with the signing of a Notice of agreement for the amount of EUR 3,182 thousand, which was paid as of the date of formulation of these annual statements, but which did not have any impact on equity since it was provided for in previous fiscal years.

On the date of formulation of these annual statements, the audits related to Corporate Tax for 2012 to 2015 have been finalised, from which no amounts payable were derived, and whose main effect entailed a redistribution of tax credits from one category to another, which negatively impacted their recovery within the time limit set by accounting standards.

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 companies Promotora de Emisoras de Televisión, S.A., Promotora de Emisoras, S.L., Prisa Audiovisual, S.L., Prisa Gestión de Servicios, S.L., Prisa Brand Solutions, S.L. (*see note 7.1*) is shown in the table below:

	Thousands of Euros	
	Accounting	**Tax**
Book and tax value of delivered securities:		
- Promotora de Emisoras de Televisión, S.A.	3,747	11,626
- Promotora de Emisoras, S.L.	27,238	46,081
- Prisa Audiovisual, S.L.	-	3,367
- Prisa Gestión de Servicios, S.L.	-	1,972
- Prisa Brand Solutions, S.L.	7,716	47,462
Value by which values received have been recorded:		
- Prisa Participadas, S.L. (Sole propietorship)	39,053	110,509

10.- INCOME AND EXPENSE

Employees

The detail of "*Employee benefits costs*" in the income statements for 2018 and 2017 is as follows (thousands of euros):

	2018	2017
Employer social security costs	462	496
Other employee benefit costs	69	110
Total	**531**	**606**

The average number of employees in 2018 and 2017 was 37 and 39, all of whom had a permanent employment contract. The detail, by gender and professional category, is as follows:

	2018		2017	
	Men	**Women**	**Men**	**Women**
Executives	5	4	7	5
Middle management	3	6	2	6
Qualified line personnel	4	10	3	6
Other	-	5	1	9
Total	**12**	**25**	**13**	**26**

The number of employees at December 31, 2018 was 38 and at December 31, 2017 was 36 all of whom had a permanent employment contract. The detail, by gender and professional category, is as follows:

	12/31/18		12/31/17	
	Men	**Women**	**Men**	**Women**
Executives	4	5	6	4
Middle management	3	6	3	6
Qualified line personnel	5	10	2	5
Other	-	5	1	9
Total	**12**	**26**	**12**	**24**

In 2018 and 2017, there were no people employed with disabilities equal or greater than 33%.

External services

The detail of *"External services"* in 2018 and 2017 is as follows:

	Thousands of Euros	
	2018	**2017**
Leases and fees	1,027	998
Repairs and maintenance	125	314
Independent professional services	6,470	12,048
Other outside services	1,851	3,764
Total	**9,473**	**17,124**

The "*Other external services*" includes an expense of EUR 232 thousand corresponding to the liability insurance of Managers and Directors (2017: EUR 271 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
2019	547
2020	184
	731

The expense recognized by the Company in the income statement for the years 2018 and corresponding to this operating lease amounts to EUR 543 thousand. (EUR 539 thousand at December 31, 2017).

During 2018 and 2017, the Company has not recorded significant financial leases.

Other results

In 2018 this item refers to income amounting to EUR 2,313 thousand as a result of the inspections referred to VAT for the period from 2012 to 2015, which were completed (*see note 9*).

In 2017 this item referred 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 2018 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 1,600 thousand (2017: EUR 1,671 thousand), of which EUR 294 thousand relate to Promotora de Informaciones, S.A. (2017: EUR 296 thousand). Also, the fees relating to other auditors involved in the 2017 audit of the various Group companies amounted to EUR 257 thousand (2017: EUR 326 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):

	2018		2017	
	Principal auditor	**Other audit firms**	**Principal auditor**	**Other audit firms**
Other verification services	622	60	395	72
Tax advisory services	71	569	50	429
Other services	63	1,073	257	2,083
Other professional services	**756**	**1,702**	**702**	**2,584**

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)	
	2018	**2017**
Other verification services	383	197
Other services	8	83
Other professional services	**391**	**280**

11.- FINANCIAL LOSS

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

	Thousands of Euros	
	2018	**2017**
Income from temporary financial investments	11	17
Income from loans	164	5
Other financial income	2,141	1,480
Fair value of financial instruments	9,733	-
Financial income	**12,049**	**1,502**
Interest on debts with Group companies	(2,070)	(714)
Interest on debts with third parties	(30,600)	(41,495)
Loan arrangement costs	(41,861)	(12,354)
Fair value expenses	(1,045)	-
Other financial expenses	-	(120)
Financial expenses	**(75,576)**	**(54,683)**
Positive exchange differences	106	2
Negative exchange differences	(71)	(248)
Net exchange differences	**34**	**(246)**
Impairment and losses of financial instruments	**(273,554)**	**(81,492)**
Financial outcome	**(337,047)**	**(134,919)**

In 2018, the income recorded in the item "F*air value of financial instruments*" corresponds to the difference between the nominal value of the debt associated with the Refinancing and its fair value on the initial recording date and the loss recorded under "*Fair value expenses*" corresponds to the financial expense accrued in 2018 associated with the difference between the initial amount of the debt and the amount at expiration, using the effective interest method (*see note 7.2*).

In 2018 the item "*Debt arrangement expenses*" includes, in addition to the expenses and fees corresponding to the previous financial indebtedness pending allocation, those corresponding to the expenses associated with the 2018 Refinancing (*see note 7.2*).

In 2018, the "*Other finance income*" mainly included an income of EUR 2,094 thousand as a result of the inspections referred to VAT for the period from 2012 to 2015, which were completed (*see note 9*).

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

12.- PROVISIONS AND CONTINGENCIES

The changes in "*Provisions and contingencies*" in 2018 are as follows (in thousands of euros):

	Balance at 12/31/2017	Additions	Reversals	Transfers	Disposals	Balance at 12/31/2018
Provision for taxes	16,235	-	(13,053)	-	(3,182)	-
Provision for litigation in progress	25	-	-	-	(25)	-
Provisions for third-party liability	3,500	2,768	-	(3,540)	(470)	2,258
Total cost	**19,760**	**2,768**	**(13,053)**	**(3,540)**	**(3,677)**	**2,258**

In 2018 the "*Provision for taxes*" movement mainly corresponds to the reversal of the provision for taxes due to the completion of the procedures covered by it without the risks it covers materialising (*see Note 9*).

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 that prior to their contribution to Prisa Participadas, S.L. (Sole proprietorship) presented the companies Prisa Audiovisual, S.L (Sole proprietorship) (EUR 493 thousand) and Prisa Gestión de Servicios, S.L. (Sole proprietorship) (EUR 1,794 thousand) which have been recognized with a charge to the heading "*Impairment of financial assets*" in the accompanying income statement. The transfers under the heading "*Provisions for third-party liability*" correspond basically to amounts that have been transferred at a lower value for the stake due to the contribution made to re-establish their balance in April 2018 *(see note 7.1)*, under the heading transfers.

Additionally is included the provision to cover the negative equity to Prisa Gestión Financiera, S.L. in December 2018 for an amount of EUR 476 thousand.

13.- SHARE-BASED PAYMENTS

1. Regarding remuneration systems that are currently expired but that had an impact on the income statement for 2017:

The Ordinary Shareholder Meeting held on 28 April 2014 authorised, within the period of five years, the delivery of Company shares as payment of remuneration of the directors of the Company and of a defined group of directors of the Prisa Group. This authorisation can be used for, specifically, but not limited to, paying the following remuneration items by payment in shares:

i) Fixed remuneration for being a member of the Board of Directors: Up to 31 December 2017, the Company remuneration policy provided for the possibility of paying each of the external directors, by their choice, the fixed remuneration for being a member of the Board of Directors in full cash, or 60% in cash and 40% in Prisa shares.

When the director selected the partial payment in Prisa shares, they were delivered quarterly.

49,745 shares were accrued for this item in 2017 and an expense of EUR 195 thousand was recorded on the income statement. 18,672 of these shares were delivered to the external directors in 2018. No accounting expense was recorded for this item in 2018.

ii) Effective January 1, 2018, Mr. Juan Luis Cebrián stepped down as director and Executive Chairman of the Company. No provision was recorded in 2017 for the variable multi-annual incentive for the period 2016-2018 that was included in his contract with the Company, because the remuneration item was not recognised upon the termination of his contract. In 2017, approximately EUR 200 thousand was carried forward for this item.

2. The Extraordinary Shareholders' Meeting held on November 15, 2017 approved an extraordinary incentive of 1,600,000 Prisa shares in favour of Mr. Cebrián, associated with the success of the financial restructuring and capitalisation as well as the sale of Media Capital. It is clarified that nothing was accrued for this item in 2018 and that said plan has been terminated in accordance with the terms and conditions set forth in the resolution of the Meeting.

3. Medium-Term Incentive Plan for the period between 2018 and 2020:

At the Ordinary Shareholders' Meeting held on 25 April 2018, a Medium-Term Incentive Plan was approved for the period between 2018 and 2020, consisting of the delivery of Company shares associated on one hand, with the performance of the stock exchange value and, on the other hand, the achievement of certain objectives (non- discriminatory conditions) (the "Plan"), aimed at the CEO of Prisa, the members of Senior Management and certain directors of its subsidiaries, who may receive a certain number of ordinary shares of the Company after a reference period of 3 years and provided that certain pre-defined requirements are met. At the beginning of the Plan, the Company assigned a certain number of "theoretical shares" ("Restricted Stock Units") to each beneficiary, which will serve as a reference to determine the final number of shares to be delivered.

The fair value of the "theoretical shares" assigned was determined according to the following:

- The fair value of the "theoretical shares" linked to the performance of the stock exchange value of Prisa shares was determined using a known statistical model in accounting practices on the date of measurement, which supposed a unit value of EUR 1.03246 per theoretical share. In this case, the total number of "theoretical shares" assigned, which will serve as a reference to determine the final number of shares to be delivered, is 5,600,000.

- The fair value of the "theoretical shares" linked to the achievement of certain quantitative targets was determined by the market price of the share on the date of measurement (considering the dividends expected during the Plan period), which supposed a unit value of EUR 1.616 per theoretical share. In this case, the total number of "theoretical shares" assigned, which will serve as a reference to determine the final number of shares to be delivered, is 5,600,000 in addition.

The expense corresponding to 2018 is EUR 904 thousand and is recorded in the personnel expenses item (EUR 832 thousand) and outside services item (EUR 72 thousand) of the income statement, with no effect on the net equity of the Company, as it is a transaction settled with equity instruments, which implies an increase in net equity for the same amount.

14.- GUARANTEE COMMITMENTS TO THIRD PARTIES

At December 31, 2018, 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, 2007; currently pending a decision at second instance, in the terms stated in Note 18.

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 2018 and 2017 are as follows in thousands of euros:

	12/31/2018		12/31/2017	
	Group companies or entities	Significant shareholders	Group companies or entities	Significant shareholders
Receivables	1,339	7	3,516	-
Financial credits	59,303	-	36,217	-
Total receivable accounts	**60,642**	**7**	**39,733**	**-**
Trade payables	230	116	347	708
Financial loans	202,069	146,662	128,911	533,164
Total payable accounts	**202,299**	**146,778**	**129,258**	**533,872**

The aggregate amount of EUR 146,778 thousand mainly includes the loans granted to the companies of the Company for:

- Banco Santander, S.A. for the amount of EUR 4,367 thousand (EUR 16,879 thousand at December 31, 2017).

- HSBC Holding, PLC for the amount of EUR 142,295 thousand (EUR 458,599 thousand at December 31, 2017).

The transactions performed with Group companies, associates and related parties in 2018 and 2017 are as follows in thousands of euros:

	2018			2017		
	Directors and executives	Group companies or entities	Significant shareholders	Directors and executives	Group employees, companies or entities	Significant shareholders
Services received	-	2,070	13,661	-	714	13,826
Finance expenses	-	1,796	1,254	190	1,046	2,472
Other expenses	5,728	-	-	11,167	-	-
Total expenses	**5,728**	**3,866**	**14,915**	**11,357**	**1,760**	**16,298**
Finance income	-	164	-	-	5	-
Dividends received	-	587,530	-	-	12,225	-
Other income	-	6,455	-	-	7,480	-
Total revenues	**-**	**594,149**	**-**	**-**	**19,710**	**-**

All related party transactions have taken place under market conditions.

The amount of EUR 5,728 thousand relates to the accrued salaries of directors for the amount of EUR 3,139 thousand *(see Note 16)* and executives for the amount of EUR 2,589 thousand.

Remuneration of Senior Management:

The total aggregate compensation of members of senior management and the Internal Audit Manager (the "Managers") in 2018, of Promotora de Informaciones, S.A. amounts to EUR 2,589 thousand (EUR 1,780 thousand in 2017).

Regarding fiscal year 2018:

i. This compensation is the accounting reflection of the overall compensation of managers and therefore do not match with the remuneration accrued in 2018 that will be included in the Annual Report of Corporate Governance 2018 in which is followed the criteria required by the CNMV in the "Circular 2/2018 of the CNMV", which is not the accounting provision basis.

ii. The aggregate compensation of the managers is the compensation of members of Senior Management, that being understood to be the members of the Business Management Committee that are not executive directors and have an employment relationship with Prisa, managers who regularly attend meetings of the Committee, and the Internal Audit Manager of Prisa. Specifically, it is that of the following executives: Mr. Xavier Pujol, Mr. Guillermo de Juanes, Mr. Augusto Delkader, Mr. Jorge Rivera, Ms. Marta Bretos and Ms. Virginia Fernández.

It has been included the remuneration of Mr. Augusto Delkader, Mr. Jorge Rivera and Ms Marta Bretos, from their appointment, in 2018, as Chief Editor, Chief of Communication and Institutional Relations and Head of Talent Management, respectively.

The remunerations of Ms Bárbara Manrique de Lara, until she ceased in 2018 as Chief of Communication and Institutional Relations, is also included.

iii. The aggregated 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 2018, 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 2017 bonus paid in April 2018 of those who were members of Senior Management at December 31, 2017.

- It is noted that at the Ordinary Shareholders' Meeting held on April 25, 2018, it was approved a Medium Term Incentive Plan for the period falling between 2018 and 2020, consisting of the award of Company shares linked to stock market value and to the performance of certain objectives, targeted at the CEO of Prisa and certain managers, who may receive a certain number of ordinary shares of the Company following a reference period of 3 years, provided that certain predefined requirements are met. The Company has assigned a certain number of restricted stock units (“Restricted Stock Units” or “RSUs”) to each beneficiary, and specified the objectives (other than the quotation) that must be met in order to benefit from the incentive, which will serve as a reference to determine the final number of shares to be delivered, if is the case.

  In 2018, an accounting expense of EUR 904 thousand was recorded for this item in relation to the senior management. This expense is included within the the remuneration of the Managers (EUR 2,589 thousand). However, since this compensation is subject to achievement of the certain objectives, the accounting figure in no way constitutes acknowledgment that that variable compensation has accrued, which will occur, if at all, once the year 2020 is closed and the annual accounts of the Group are prepared, based on the level of achievement of the established objectives.

iv. Finally, it is noted that Mr. Fernando Martinez Albacete, the representative of the director Amber Capital, was a member of Prisa's Senior Management until June 2017 and, due to the termination of his contract with the Company, he has received amounts in the form of non-competition agreement, until May 2018. These amounts are not included within the remuneration of the Managers (EUR 2,589 thousand), since they do not refer to payments received for having the status of member of Senior Management in 2018.

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 2018 and 2017 is as follows in thousands of euros:

	2018	**2017**
Mediaset España Comunicación, S.A.	63	54
Total Related	**587,530**	**12,225**
Prisa Participadas, S.L. (Sociedad Unipersonal)	570,000	-
	10	-
Vertix, S.G.P.S.	17,500	12,200
Canal Club, S.A.	20	25
Total	**587,593**	**12,279**

Operations between Group companies, associates and related parties-

During 2018 the company Prisa Participadas, S.L. (Sole proprietorship) has granted a EUR 115,000 thousand loan to the Company with maturity January 2023 (*see note 7.2*).

Transactions between with significant shareholders -

The aggregate amount of EUR 14,815 thousand mainly consists of interest accruing on credits granted by major shareholders to Prisa, expenditure on telephony and Internet by Prisa with Telefónica, S.A. and expenditure on lease with Telefónica Audiovisual Digital, S.L..

Transactions with significant shareholders –

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

2018

	12/31/2018
	Significant shareholders
Finance agreement: loans received (see note 7,2)	146,662
Other transactions (see note 8)	8,810

The aggregate amount of EUR 146,662 thousand includes the loans granted by Banco Santander, S.A. and HSBC Holding, PLC within the framework of the Refinancing *(see note 7.2).*

The amount of EUR 8,810 thousand corresponds to the fees received by Banco Santander as agent bank and for the underwriting contract regarding the capital increase carried out by the Company in February 2018 which have been recorded under the "*Share premium*" item *(see note 8)*.

In addition to the foregoing, the capital increase described in note 8 was subscribed, among others, by some significant shareholders of the Company as of February 2018, as shown in its statements to the CNMV.

Likewise and according to information published on the website of the Comisión Nacional del Mercado de Valores ("CNMV"), the capital increase was subscribed by the following Prisa directors:

Directors' Name	Number of Direct Voting Rights suscribed	Number of Indirect Voting Rights suscribed
Manuel Mirat Santiago	65,879	-
Manuel Polanco Moreno	45,580	126,405 (through Olnacasco, S.L.)
Francisco Javier Monzón de Cáceres	60,049	-
Joseph Oughourlian	-	131,022,714 (through Amber Capital UK LLP)
Francisco Javier Gómez Navarro- Navarrete	7,102	-
Shk. Dr. Khalid bin Thani bin Abdullah Al-Thani	-	33,920,000 (through International Media Group, S.A.R.L.)

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.

16.- REMUNERATION AND OTHER BENEFITS OF DIRECTORS

In 2018 and 2017, Promotora de Informaciones, S.A. registered the following amounts in respect of remuneration to Board members:

	Thousand of euros	
	2018	2017
Compensation for belonging to the Board and/ or Board Committee	1,413	2,110
Salaries	653	2,185
Variable compensation in cash	326	1,972
Compensation systems based on shares	508	-
Indemnification	230	2,967
Long-term savings systems	-	-
Other	9	153
Total	**3,139**	**9,387**

Regarding the 2018 financial year:

i) The aggregated remuneration of Pisa 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 2018 (IR) and in the Annual Report on Corporate Governance 2018 (IAGC), in which it is followed the criteria required by the "Circular 2/2018 of the CNMV, whereby the model of annual report remuneration of directors is established", which is not the accounting provision basis.

ii) The overall compensation of the Board of Directors includes the remuneration of Mr. John Paton, who ceased as directors in April 2018.

iii) Remuneration of Mr. Manuel Polanco Moreno (non executive Chairman until December 31, 2018):

- Effective January 1, 2018, Mr. Manuel Polanco Moreno ceased as deputy executive chairman, becoming non-executive chairman of Prisa. The Board approved this appointment (December 2017), 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, which have been paid in 2018 but that are not included in the previous table since the accounting expense was recorded in the 2017 profit and loss account.

- In accordance with the Directors 'Remuneration Policy for the period 2018-2020, which was approved at the Ordinary Shareholders' Meeting held on April 25, 2018 and which is applicable with retroactive effect as of January 1, 2018 (the "Remuneration Policy"), Mr Manuel Polanco Moreno shall be entitled to receive a gross fixed annual remuneration of EUR 500 thousand in his capacity as a director and as the non-executive Board Chairman, which shall be paid in cash on prorated monthly basis. The remuneration corresponding to 2018, that is, EUR 500 thousand, has been recorded as follows: i) until the approval of the Remuneration Policy, Mr. Manuel Polanco has continued to receive the remuneration that corresponded to him for the mercantile service lease contract that he had with the Company, for a total amount of 153 thousand euros which are registered within "Salaries"; ii) the difference of up to EUR 500 thousand, that is, EUR 347 thousand, are registered under " Compensation for belonging to the Board and/ or Board Committee".

- By resolution of the Board of Directors held in December 2018, Mr. Manuel Polanco Moreno has ceased as non-executive Chairman of Prisa as of January 1, 2019. In the table above there are EUR 230 thousand included within "Indemnification", for the non- compete agreement to which Mr. Polanco was entitled if his resignation as President occurred before December 31, 2019 and in accordance with the provided terms.

iv) Within the variable remuneration of the directors are included the following items (which amounts in some cases differ from those that are included in the IR and in the IAGC):

- Annual variable compensation (bonus): reflection of the amount corresponding to theoretical annual variable compensation of CEO Mr Manuel Mirat, sole executive director of the Company, if management objectives are achieved. However, since this compensation is subject to achievement of the management objectives at the end of the year 2018, 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 2017 bonus paid in April 2018 to the CEO.

v) At the Ordinary Shareholders' Meeting held on April 25, 2018, it was approved a Medium Term Incentive Plan for the period falling between 2018 and 2020, consisting of the award of Company shares linked to stock market value and to the performance of certain objectives, targeted at the CEO of Prisa and certain managers, who may receive a certain number of ordinary shares of the Company following a reference period of 3 years, provided that certain predefined requirements are met. The Company has assigned a certain number of restricted stock units ("Restricted Stock Units" or "RSUs") to each beneficiary, and specified the objectives (other than the quotation) that must be met in order to benefit from the incentive, which will serve as a reference to determine the final number of shares to be delivered, if is the case.

In 2018, an accounting expense of EUR 508 thousand was recorded for this item in relation to the CEO of Prisa. This expense is included within the "*Compensated systems based on shares*" in the previous table. However, since this compensation is subject to achievement of the certain objectives, the accounting figure in no way constitutes acknowledgment that that variable compensation has accrued, which will occur, if at all, once the year 2020 is closed and the annual accounts of the Group are prepared, based on the level of achievement of the established objectives.

vi) Attendance fees: In the Remuneration Policy, the attendance fees for the Board and the Committees have been eliminated, effective as of January 1, 2018.

vii) No other credits, advances or loans occurred, nor were pension obligations incurred, in respect of the Board of Directors during 2018.

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
Manuel Mirat Santiago	Joint and Several Director of Canal Club de Distribución de Ocio y Cultura, S.A.		
Joseph Oughourlian	See note (*)		
Shk. Dr. Khalid bin Thani bin Abdullah Al-Thani	Vice Chairman of Dar Al 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, 2018 the following Directors of Promotora de Informaciones, S.A. were members of management bodies of certain companies in the Prisa Group: Manuel Mirat Santiago and Manuel Polanco Moreno.

18.- LITIGATION AND ONGOING CLAIMS

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, against which AVS presented the opportune opposition and at the date of formulation of this report, is pending resolution.

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

On February 26, 2019, the Board of Directors approved the acquisition by Prisa Group of the remaining 25% of the share capital of Santillana currently controlled and held by DLJSAP Publishing Limited ("DLJ"), a company owned by funds managed or advised by Victoria Capital Partners.

In the same date, Prisa Activos Educativos, S.L. (Sole proprietorship) —a subsidiary wholly-owned by Prisa—and DLJ entered into a sale and purchase agreement in relation to the quotas representing 25% of the share capital of Santillana.

The price of the acquisition was a fixed amount of EUR 312,500 thousand (the "Total Consideration") which will be fully paid in cash.

The Total Consideration will be funded by Prisa through a combination of: (i) the proceeds of a capital increase by means of cash contributions, with preferential subscription rights, to be carried out in the amount and on the terms determined by the Board of Directors and (ii) cash available on the Company's balance sheet funded mainly from the net proceeds of the capital increase with preferential subscription rights carried out in February 2018 and (iii) funds available through cash pooling that the Company maintains with Prisa Gestión Financiera, S.L.(Sole proprietorship).

The closing of the acquisition is subject to obtaining the required authorization from the Spanish competition authorities—which is expected to be notified immediately and obtained during March 2019—and to the execution of the capital increase above mentioned. Banco Santander, S.A. and Prisa have entered on the same date into an agreement, subject to customary terms of this kind of documents, whereby Banco Santander, S.A. has committed to underwrite the capital increase in an amount of up to EUR 200,000 thousand at a subscription price to be determined in the corresponding underwriting agreement.

On March 7, 2019, the authorization of the Spanish competition authorities was obtained.

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

INVESTEE	REGISTERED OFFICE	LINE OF BUSINESS	12-31-2018 (In thousands of euros) CARRYING AMOUNT	% OF OWNERSHIP	TAX GROUP (*)	SHARE CAPITAL	PROFIT (LOSS)	SHAREHOLDERS' EQUITY	EBIT
Prisa Activos Educativos, S.L.	Gran Vía, 32. Madrid	The realization of all activities inherent to the publishing business in its broadest sense and, especially, the edition marketing and distribution of all kinds of publications and the provision of editorial, cultural, educational, leisure and entertainment services	589	100.00%	2/91	3	122	125	(1)
Prisa Activos Radiofónicos, S.L.	Gran Vía, 32. Madrid	The provision, on its own behalf or by third parties, of any kind of services related, directly or indirectly, to broadcasting. The advice and provision of services to communication companies in the field of advertising, programming, administration, marketing and technical, computer and commercial issues and any other related to their activity. The production, exploitation and management on their own or by others, by any means, of all kinds of programs and radio and audiovisual products.	155,190	100.00%	2/91	15,486	-	154,860	(1)
Prisa Gestión Financiera, S.L. *(Antes Santillana Canarias, S.L.)*	Gran Vía, 32. Madrid	Management and exploitation of information media and social communication whatever their technical support. The action in the capital and monetary market.	-	100.00%	2/91	60	(539)	(476)	(15)
Prisa Participadas, S.L.	Gran Vía, 32. Madrid	Rent of commercial and industrial premises and constitution and management of companies	352,560	100.00%	2/91	72,534	599,226	352,538	601,406
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	(5)	(1,782)	(1)
Promotora de Actividades Audiovisuales de Colombia, Ltda.	Calle 80, 10 23 . Bogotá. Colombia	Audiovisual and communication activities	-	99,00% 1,00%		420	-	69	-
Vertix, SGPS, S.A.	Rua Mario Castelhano, nº 40, Queluz de Baixo. Portugal	Holding company	242,995	100.00%		268,041	17,482	402,257	(154)
Canal Club de Distribución de Ocio y Cultura, S.A. [1]	Calle Hermosilla, 112. Madrid	Catalogue sales	37	25.00%		60	85	149	85
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	(5)	97,42% 2,58%		11,843	(2,178)	(184)	(2,159)
Prisa Noticias, S.L.	Gran Vía, 32. Madrid	Management and operation of the media	100,466	100.00%	2/91	38,596	(17,285)	73,141	(14,514)
Promotora General de Revistas, S.A.	Valentín Beato, 48. Madrid	Publication production and operation of magazines	1	99,96% 0,04%	2/91	1,500	(2,303)	207	(634)

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

(1) Datos a noviembre de 2018

INDIRECT HOLDINGS

INVESTEE	REGISTERED OFFICE	LINE OF BUSINESS	12-31-2018 (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%		612	230	112
Avalia Qualidade Educacional Ltda.	Rua Padre Adelino, 758. Belezinho. Sao Paulo. Brasil	Publishing	75.00%		1,958	831	(170)
Distribuidora y Editora Richmond, S.A.	Edificio Punto 99, Carrera 11ª Nº98-50 Oficina 501. Bogotá. Colombia	Publishing	75.00%		113	1,269	610
Ediciones Grazalema, S.L.	Rafael Beca Mateos, 3. Sevilla	Publishing	75.00%	2/91	60	135	(4)
Ediciones Santillana Inc.	1506 Roosevelt Avenue. Guaynabo. Puerto Rico	Publishing	75.00%		1,065	11,818	2,287
Ediciones Santillana, S.A. (Argentina)	Leandro N. Alem. 720. Buenos Aires. 1001. Argentina	Publishing	75.00%		1,861	8,310	13,066
Ediciones Santillana, S.A. (Uruguay)	Juan Manuel Blanes 1132 Montevideo Uruguay	Publishing	75.00%		165	1,041	499
Edicions Obradoiro, S.L.	Ruela de Entrecercos. 2 2º B. 15705. Santiago de Compostela	Publishing	75.00%	2/91	60	80	-
Edicions Voramar, S.A.	Valencia, 44. 46210. Pincaya. Valencia	Publishing	75.00%	2/91	60	96	(1)
Editora Moderna Ltda.	Rua Padre Adelino, 758. Belezinho. Sao Paulo. Brasil	Publishing	75.00%		20,587	58,947	25,709
Editora Pintangua, LTDA	Rua Urbano Santos. 755. Sala 4. Bairro Cumbica. Cidade de Guarulhos. Sao Paulo. Brasil	Publishing	75.00%		100	90	2
Editorial Nuevo México, S.A. de C.V.	Avenida Rio Mixcoac 274 Col Acacias. México DF. México	Publishing	75.00%		1,278	582	(92)
Editorial Santillana, S.A. (Guatemala)	26 Avenida 2-20 zona 14 . Guatemala - Guatemala	Publishing	75.00%		72	6,699	5,350
Editorial Santillana, S.A. (Honduras)	Colonia los Profesionales Boulevar Suyapa, Metropolis Torre 20501, Tegucigalpa Honduras	Publishing	75.00%		20	3,489	2,120
Editorial Santillana, S.A. (Rep. Dominicana)	Juan Sánchez Ramírez, 9. Gazcue. Santo Domingo. República Dominicana	Publishing	75.00%		118	9,201	2,867
Editorial Santillana, S.A. (Venezuela)	Avenida Rómulo Gallegos. Edificio Zulia 1º. Caracas. Venezuela	Publishing	75.00%		1,955	506	265
Editorial Santillana, S.A. de C.V. (México)	Avenida Rio Mixcoac 274 Col Acacias. México DF. México	Publishing	75.00%		24,019	15,554	(0)
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	3,257	1,691
Editorial Santillana, S.A.S (Colombia)	Edificio Punto 99, Carrera 11ª Nº98-50 Oficina 501. Bogotá. Colombia	Publishing	75.00%		1,676	4,617	680
Educa Inventia, S.A. de C.V. (México)	Avenida Rio Mixcoac 274 Col Acacias. México DF. México	Publishing	75.00%		4,905	(674)	(463)
Educactiva Ediciones, S.A.S. (Colombia)	Avenida El Dorado No. 90 – 10 Bogotá, Colombia	Publishing	75.00%		56	83	(24)
Educactiva, S.A. (Chile)	Avenida Andrés Bello 2299 Oficina 1001 Providencia. Santiago Chile	Publishing	75.00%		16,527	(58)	(15)
Educactiva, S.A.C. (Perú)	Av. Manuel Olguin Nro. 215 Int. 501/ Los Granados/ Santiago de Surco/ Lima, Perú	Publishing	75.00%		904	1,543	357
Educactiva, S.A.S. (Colombia)	Avenida El Dorado No. 90 – 10 Bogotá, Colombia	Publishing	75.00%		4,543	3,641	1,599
Grup Promotor D'Ensenyement i Difussió en Catalá, S.L.	Frederic Mompou, 11. V. Olímpica. Barcelona	Publishing	75.00%	2/91	60	100	(5)
Grupo Santillana Educación Global, S.L.	Av. de los Artesanos, 6 Tres Cantos. Madrid	Publishing	75.00%	2/91	12,018	(29,116)	31,287

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

INDIRECT HOLDINGS

INVESTEE	REGISTERED OFFICE	LINE OF BUSINESS	12-31-2018 (In thousands of euros) % OF OWNERSHIP	TAX GROUP (*)	SHARE CAPITAL	SHAREHOLDERS' EQUITY	EBIT
Ítaca, S.L.	Av. de los Artesanos, 6 Tres Cantos. Madrid	Book distribution	75.00%	2/91	408	1,292	(588)
Kapelusz Editora, S.A. (Argentina)	Leandro N. Alem. 720. Buenos Aires. 1001. Argentina	Publishing	75.00%		169	1,466	1,840
Lanza, S.A. de C.V.	Avenida Rio Mixcoac 274 Col Acacias. México DF. México	Creation, development and management of companies	75.00%		13,038	12,025	(5)
Pleno Internacional, SPA	Avenida Andres Bello N° 2299 Oficina 1001 Providencia - Santiago	Computer consulting and consultancy, software development and sale	75.00%		1	(238)	32
Richmond Educação, Ltda.	Rua Padre Adelino, 758. Belezinho. Sao Paulo. Brasil	Publishing	75.00%		100	6,944	1,946
Richmond Publishing, S.A. de C.V.	Avenida Rio Mixcoac 274 Col Acacias. México DF. México	Publishing	75.00%		4	11,120	4,184
Salamandra Editorial, Ltda.	Rua Urbano Santos 755, Sao Paulo. Brasil	Publishing	75.00%		100	24	(0)
Santillana Administraçao de Biens, LTDA	Rua Padre Adelino, 758. Belezinho. Sao Paulo (Brasil)	Property management	75.00%		1,402	2,741	631
Santillana de Ediciones, S.A. (Bolivia)	Calle 13, Nº 8078. Zona de Calacoto. La Paz. Bolivia	Publishing	75.00%		343	3,099	2,409
Santillana del Pacífico, S.A. de Ediciones.	Avenida Andres Bello 2299 Oficina 1001-1002 Providencia. Santiago Chile	Publishing	75.00%		427	9,120	6,817
Santillana Editores, S.A.	R. Mario Castelhano, 40 - Queluz de Baixo - 2734-502 Baracarena - Portugal	Publishing	75.00%		50	(340)	(172)
Santillana Educación Pacífico, S.L. *(Antes Grupo Pacifico, S.A. (Panamá))*	Av. De los Artesanos 6. 28760, Tres Cantos, Madrid.	Publishing	75.00%	2/91	269	6,083	(1)
Santillana Educación, S.L.	Av. de los Artesanos, 6 Tres Cantos. Madrid	Publishing	75.00%	2/91	7,747	77,908	42,701
Santillana Formación, S.L.	Av. de los Artesanos, 6 Tres Cantos. Madrid	Online training	75.00%	2/91	300	(1,612)	(833)
Santillana Global, S.L.	Av. de los Artesanos, 6 Tres Cantos. Madrid	Publishing	75.00%	2/91	2,276	2,974	1,169
Santillana Infantil y Juvenil, S.L.	Av. de los Artesanos, 6 Tres Cantos. Madrid	Publishing	75.00%	2/91	65	2,678	979
Santillana Sistemas Educativos, Ltda. (Colombia)	Edificio Punto 99, Carrera 11ª Nº98-50 Oficina 501. Bogotá. Colombia	Consultancy services for the obtainment of quality certification by schools	75.00%		63	2,969	1,068
Santillana Sistemas Educativos, S.L.	Av. de los Artesanos, 6 Tres Cantos. Madrid	Publishing	75.00%	2/91	220	24,826	(12)
Santillana, S.A. (Costa Rica)	La Uruca. 200 m Oeste de Aviación Civil. San José. Costa Rica	Publishing	75.00%		465	(4)	(51)
Santillana, S.A. (Ecuador)	Calle De las Higueras 118 y Julio Arellano. Quito. Ecuador	Publishing	75.00%		978	5,345	5,747
Santillana, S.A. (Paraguay)	Avenida Venezuela. 276. Asunción. Paraguay	Publishing	75.00%		162	898	113
Santillana, S.A. (Perú)	Avenida Primavera 2160. Santiago de Surco. Lima. Perú	Publishing	75.00%		3,275	4,726	2,826
Sistemas Educativos de Enseñanza, S.A. de C.V.	Avenida Rio Mixcoac 274 Col Acacias. México DF. México	Publishing	75.00%		11,746	3,625	3,604
Soluçoes Inovadoras em Educaçao LTDA. (SIEDUC) *(Antes Uno Educação Ltda.)*	Rua Padre Adelino, 758. Belezinho. Sao Paulo. Brasil	Publishing	75.00%		34,593	12,981	2,827
Vanguardia Educativa Santillana Compartir, S.A. de C.V.	Avenida Rio Mixcoac 274 Col Acacias. México DF. México	Publishing	75.00%		3	(177)	590
Zubia Editoriala, S.L.	Polígono Lezama Leguizamon. Calle 31. Etxebarri. Vizcaya	Publishing	75.00%	2/91	60	97	2

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

INVESTEE	REGISTERED OFFICE	LINE OF BUSINESS	12-31-2018 (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%		135	307	44
Compañía Aragonesa de Radiodifusión, S.A.	Paseo de la Constitución, 21. Zaragoza	Operation of radio broadcasting stations	73.28%		66	3,933	61
Ediciones LM, S.L.	Plaza de Cervantes, 6. Ciudad Real	Operation of radio broadcasting stations	37.76%		216	3,980	748
Gran Vía Musical de Ediciones, S.L.	Gran Vía, 32. Madrid	Provision of musical services	75.52%	2/91	100	2,703	(260)
Iniciativas Radiofónicas de Castilla La Mancha, S.A.	Carreteros, 1. Toledo	Operation of radio broadcasting stations	52.86%		61	149	19
Iniciativas Radiofónicas, S.A.	Gran Vía, 32. Madrid	Operation of radio broadcasting stations	70.55%		228	477	16
Ondas Galicia, S.A.	San Pedro de Mezonzo, 3. Santiago de Compostela	Operation of radio broadcasting stations	34.93%		70	283	3
Prisa Radio, S.A.	Gran Vía, 32. Madrid	Provision of services to radio companies	75.52%	2/91	2,036	136,854	(12,074)
Propulsora Montañesa, S. A.	Pasaje de Peña. Nº 2. Interior. 39008. Santander	Operation of radio broadcasting stations	75.44%		373	3,084	601
Radio Club Canarias, S.A.	Avenida Anaga, 35. Santa Cruz de Tenerife	Operation of radio broadcasting stations	71.74%		480	1,820	1,658
Radio España de Barcelona, S.A.	Caspe, 6. Barcelona	Operation of radio broadcasting stations	75.01%		364	822	174
Radio Lleida, S.L.	Calle Vila Antonia. Nº 5. Lleida	Operation of radio broadcasting stations	50.22%		50	151	22
Radio Murcia, S.A.	Radio Murcia, 4. Murcia	Operation of radio broadcasting stations	62.93%		120	1,542	484
Radio Zaragoza, S.A.	Paseo de la Constitución, 21. Zaragoza	Operation of radio broadcasting stations	67.97%		183	3,859	1,473
Sociedad Española de Radiodifusión, S.L.(Sociedad Unipersonal)	Gran Vía, 32. Madrid	Operation of radio broadcasting stations	75.52%	2/91	6,959	164,381	23,308
Sociedad Independiente Comunicación Castilla La Mancha, S.A.	Avenida de la Estación, 5 Bajo. Albacete	Operation of radio broadcasting stations	56.34%		379	724	340
Societat de Comunicacio i Publicidat, S.L.	Parc. de la Mola, 10 Torre Caldea, 6º Escalde. Engordany. Andorra	Operation of radio broadcasting stations	74.76%		30	(1,224)	(33)
Sogecable Música, S.L.	Gran Vía, 32. Madrid	Creation, broadcasting, distribution and exploitation of thematic TV channels	75.52%	2/91	1,202	1,418	176
Sonido e Imagen de Canarias, S.A.	Caldera de Bandama, 5. Arrecife. Lanzarote	Operation of radio broadcasting stations	37.76%		230	1,233	428
Teleradio Pres, S.L.	Avenida de la Estación, 5 Bajo. Albacete	Media management	56.72%		150	408	(2)
Teleser, S.A.	Gran Vía, 32. Madrid	Operation of radio broadcasting stations	59.86%		75	109	6
Laudio Irratia, S.L.	Pol.Industrial Ed.Cermámica 1.Alava	Operation of radio broadcasting stations	19.96%		93	262	30
Planet Events, S.A.	Gran Vía, 32. Madrid	Production and organization of shows and events	30.21%		120	315	282
Radio Jaén, S.L.	Obispo Aguilar, 1. Jaén	Operation of radio broadcasting stations	27.18%		563	1,133	83
Unión Radio del Pirineu, S.A.	Carrer Prat del Creu, 32. Andorra	Operation of radio broadcasting stations	24.92%		249	281	(8)

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

INDIRECT HOLDINGS

INVESTEE	REGISTERED OFFICE	LINE OF BUSINESS	12-31-2018 (In thousands of euros)			
			% OF OWNERSHIP	SHARE CAPITAL	SHAREHOLDERS' EQUITY	EBIT
RADIO INTERNACIONAL						
Abril, S.A.	Eliodoro Yañex. Nº 1783. Comuna Providencia Santiago. Chile	Commercial radio broadcasting services and operation of radio stations	75.52%	792	3,783	1,122
Aurora, S.A.	Eliodoro Yañex. Nº 1783. Comuna Providencia Santiago. Chile	Commercial radio broadcasting services and operation of radio stations	75.52%	382	3,580	349
Blaya y Vega, S.A.	Eliodoro Yañex. Nº 1783. Comuna Providencia Santiago. Chile	Commercial radio broadcasting services and operation of radio stations	75.52%	1,820	19,348	(118)
Caracol Broadcasting Inc.	2100 Coral Way - Miami 33145 - Florida, EE.UU.	Operation of radio broadcasting stations	75.52%	215	719	(113)
Caracol Estéreo, S.A.	Calle 67 Nº 7-37 Piso 7 Bogotá. Colombia	Commercial radio broadcasting services	75.52%	3	1,776	217
Caracol, S.A.	Calle 67 Nº 7-37 Piso 7 Bogotá. Colombia	Commercial radio broadcasting services	75.52%	11	25,831	10,614
Comercializadora de Eventos y Deportes, S.A.S. *(Antes Prisa Música América, S.A.S*	Calle 67 Nº 7-37 Piso 7 Bogotá. Colombia	Production and organization of shows and events	75.52%	903	1,257	(401)
Comercializadora Iberoamericana Radio Chile, S.A.	Eliodoro Yañex. Nº 1783. Comuna Providencia Santiago. Chile	Prodution and sale of CD's, advertising, promotions and events	75.52%	19,669	33,038	130
Compañía de Comunicaciones de Colombia C.C.C. Ltda.	Calle 67 Nº 7-37 Piso 7 Bogotá. Colombia	Commercial radio broadcasting services	75.52%	25	864	159
Compañía de Radios, S.A.	Eliodoro Yañex. Nº 1783. Comuna Providencia Santiago. Chile	Commercial radio broadcasting services	75.52%	275	1,550	(370)
Comunicaciones del Pacífico, S.A.	Eliodoro Yañex. Nº 1783. Comuna Providencia Santiago. Chile	Operation and management of TV channels and radio stations	75.52%	423	5,099	1,800
Comunicaciones Santiago, S.A.	Eliodoro Yañex. Nº 1783. Comuna Providencia Santiago. Chile	Operation and management of TV channels and radio stations	75.52%	421	5,566	2,041
Consorcio Radial de Panamá, S.A	Urbanización Obarrio, Calle 54 Edificio Caracol. Panamá	Advisory services and commercialisation of services and products	75.52%	8	309	(3)
Corporación Argentina de Radiodifusión, S.A.	Rivadavia 835. Ciudad Autónoma de Buenos Aires. Argentina	Operation of radio broadcasting stations	75.52%	5,622	575	(516)
Ecos de la Montaña Cadena Radial Andina, S.A.	Calle 67. Nº 7-37. Piso 7. Bogotá. Colombia	Commercial radio broadcasting services	75.52%	-	610	282
Emisora Mil Veinte, S.A.	Calle 67. Nº 7-37. Piso 7. Bogotá. Colombia	Commercial radio broadcasting services	75.52%	-	128	28
Fast Net Comunicaciones, S.A.	Eliodoro Yañex. Nº 1783. Comuna Providencia Santiago. Chile	Commercial radio broadcasting services and operation of radio stations	75.52%	2	(2,463)	455
GLR Chile, Ltda. (*)	Eliodoro Yañex. Nº 1783. Comuna Providencia Santiago. Chile	Operation of radio broadcasting stations	75.52%	39,261	76,008	7,470
GLR Colombia, Ltda.	Calle 67. Nº 7-37. Piso 7. Bogotá. Colombia	Commercial radio broadcasting services	75.52%	263	86	(23)
GLR Services Inc.	2100 Coral Way - Miami 33145 - Florida, EE.UU.	Provision of services to radio broadcasting companies	75.52%	4	2,776	(2,618)
Iberoamerican Radio Holding Chile, S.A.	Eliodoro Yañex. Nº 1783. Comuna Providencia Santiago. Chile	Commercial radio broadcasting services and operation of radio stations	75.52%	3,356	(6,210)	(823)
Iberoamericana Radio Chile, S.A.	Eliodoro Yañex. Nº 1783. Comuna Providencia Santiago. Chile	Commercial radio broadcasting services and operation of radio stations	75.52%	25,261	37,716	3,287
La Voz de Colombia, S.A.	Calle 67. Nº 7-37. Piso 7. Bogotá. Colombia	Commercial radio broadcasting services	75.52%	1	319	27
LS4 Radio Continental, S.A	Rivadavia 835. Ciudad Autónoma de Buenos Aires. Argentina	Radio broadcasting and advertising services	75.52%	6,247	663	(1,413)
Promotora de Publicidad Radial, S.A.	Calle 67. Nº 7-37. Piso 7. Bogotá. Colombia	Commercial radio broadcasting services	75.52%	1	663	98
Publicitaria y Difusora del Norte Ltda.	Eliodoro Yañex. Nº 1783. Comuna Providencia Santiago. Chile	Operation of radio broadcasting stations	75.52%	850	4,422	(100)
Radio Estéreo, S.A	Rivadavia 835. Ciudad Autónoma de Buenos Aires. Argentina	Radio broadcasting and advertising services	75.52%	381	39	(241)
Radiodifusion Iberoamerican Chile S.A.	Eliodoro Yañex. Nº 1783. Comuna Providencia Santiago. Chile	Holding	75.52%	11,087	28,076	(3)

INDIRECT HOLDINGS

APPENDIX II

INVESTEE	REGISTERED OFFICE	LINE OF BUSINESS	12-31-2018 (In thousands of euros)			
			% OF OWNERSHIP	SHARE CAPITAL	SHAREHOLDERS' EQUITY	EBIT
Radio Mercadeo, Ltda.	Calle 67. Nº 7-37. Piso 7. Bogotá. Colombia	Commercial radio broadcasting services	46.149%	298	298	-
Sociedad de Radiodifusión El Litoral, S.L.	Eliodoro Yañex. Nº 1783. Comuna Providencia Santiago. Chile	Rental of equipment and advertising sales	75.520%	6	3,726	(29)
Sociedad Radiodifusora del Norte, Ltda.	Eliodoro Yañex. Nº 1783. Comuna Providencia Santiago. Chile	Operation of radio broadcasting stations	75.520%	243	2,613	(33)
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%	1,106	8,497	10,399
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%	5,340	5,667	21
El Dorado Broadcasting Corporation	2100 Coral Way. Miami. Florida. EE.UU.	Development of the Latin radio market in the US	18.88%	196	(1,504)	-
Green Emerald Business Inc.	Vía España 177, Ed. PH Plaza Regency, planta 15. Ciudad de Panamá. Panamá	Development of the Latin radio market in Panama	26.39%	3,986	(7,074)	(575)
Multimedios GLP Chile SPA	Av. Andrés Bello 2325 Piso 9, Providencia	Commercial radio broadcasting services	37.76%	1,044	(1,730)	(422)
Promotora Radial del Llano, LTDA	Calle 67 Nº 7-37 Piso 7 Bogotá. Colombia	Commercial radio broadcasting services	38.525%	1	47	8
Q'Hubo Radio, S.A.S	CL 57 No 17 – 48 Bogotá, Colombia	Operation of radio broadcasting stations	29.09%	120	(251)	50
Radio Comerciales, S.A. de C.V.	Rubén Darío nº 158. Guadalajara. México	Operation of radio broadcasting stations	37.76%	982	974	151
Radio Melodía, S.A. de C.V.	Rubén Darío nº 158. Guadalajara. México	Operation of radio broadcasting stations	37.76%	555	672	214
Radio Tapatía, S.A. de C.V.	Rubén Darío nº 158. Guadalajara. México	Operation of radio broadcasting stations	37.76%	676	878	313
Radiotelevisora de Mexicali, S.A. de C.V.	Avenida Reforma 1270. Mexicali Baja California. México	Operation of radio broadcasting stations	37.76%	367	576	208
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%	13	18	362
Servicios Xezz, S.A. de C.V.	Calzada de Tlalpan 3000 col Espartaco México D.F. 04870. México	Operation of radio broadcasting stations	37.760%	2	74	92
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%	9,393	45,797	14,235
WSUA Broadcasting Corporation	2100 Coral Way. Miami. Florida. EE.UU.	Radio broadcasting	18.88%	587	(4,748)	173
Xezz, S.A. de C.V.	Rubén Darío nº 158. Guadalajara. México	Operation of radio broadcasting stations	37.76%	82	160	104

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

INDIRECT HOLDINGS

INVESTEE	REGISTERED OFFICE	LINE OF BUSINESS	12-31-2018 (In thousands of euros)				
			% OF OWNERSHIP	TAX GROUP (*)	SHARE CAPITAL	SHAREHOLDERS' EQUITY	EBIT
PRENSA							
As Chile SPA	Eliodoro Yáñez 1783, Providencia. Santiago. Chile	Publication and operation of As newspaper in Chile	75.00%		1,215	269	(174)
Diario AS Colombia, SAS	Cl 98, nº 1871 OF401. Bogotá D.C.	Publication and operation of As newspaper in Colombia	75.00%		1,032	211	(147)
Diario As USA, Inc.	2100 Coral Way Suite 603. 33145 Miami, Florida	Publication and operation of As newspaper in USA	75.00%		-	1,290	1,077
Diario As, S.L.	Valentín Beato, 44. Madrid	Publication and operation of As newspaper	75.00%	2/91	1,400	48,809	4,636
Diario El País Argentina, S.A.	Leandro N. Alem. 720. Buenos Aires. 1001. Argentina	Operation of El País newspaper in Argentina	100.00%		432	50	(333)
Diario El País Do Brasil Distribuidora de Publicaçoes, LTDA.	Rua Padre Adelino. 758 Belezinho. CEP 03303-904. Sao Paulo. Brasil	Operation of El País newspaper in Brazil	100.00%		8,799	98	(1,200)
Diario El País, S.L.	Miguel Yuste, 40. Madrid	Holding	100.00%	2/91	4,200	(11,416)	(13,667)
Distribuciones Aliadas, S.A.	Polígono Industrial La Isla. Parcela 53. 41700 Dos Hermanas. Sevilla	Printing of editorial products	100.00%	2/91	2,100	9,256	62
Ediciones El País (Chile) Limitada.	Eliodoro Yáñez 1783, Providencia. Santiago. Chile	Publication, operation and sale of El País newspaper in Chile	100.00%		3,351	(75)	(169)
Ediciones El País, S.L.	Miguel Yuste, 40. Madrid	Publication, operation and sale of El País newspaper	99.99%	2/91	3,306	(880)	2,591
Espacio Digital Editorial, S.L.	Gran Vía, 32. Madrid	Edition and explotation of Huffinton Post digital for Spain	100.00%	2/91	8,501	10,946	620
Estructura, Grupo de Estudios Económicos, S.A.	Miguel Yuste, 42. Madrid	Publication and operation of Cinco Días newspaper	100.00%	2/91	60	(2,146)	(611)
Factoría Prisa Noticias, S.L. *(Antes Agrupación de Servicios de Internet y Prensa, S.L.)*	Valentín Beato, 44. Madrid	Provision of administrative, technological and legal services, as well as the distribution of written and digital media	100.00%	2/91	1,726	261	1,103
Grupo de Medios Impresos y Digitales, S.L.	Gran Vía, 32. Madrid	Holding	100.00%	2/91	990	6,773	(10,741)
Meristation Magazine, S.L.	Almogavers 12. Llagostera. Girona	Documentation services	100.00%	2/91	6	(153)	(89)
Norprensa, S.A.	Parque Empresarial IN-F. Calle Costureiras. s/n 27003. Lugo	Printing of editorial products	100.00%	2/91	270	203	(21)
Noticias AS México S.A. de C.V.	Rio Lerma 196 BIS TORRE B 503, Ciudad de México DF	Publication and operation of As newspaper in Mexico	75.00%		987	310	(10)
Pressprint, S.L. (Sociedad Unipersonal)	Valentín Beato, 44. Madrid	Production, printing, publication and distribution of products format	100.00%	2/91	21,500	6,494	(2,660)
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	-
Prisaprint, S.L.	Gran Vía, 32. Madrid	Management of companies dedicated to printing	100.00%	2/91	3,000	(10,171)	(790)
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	(676)	(634)
Kioskoymás, Sociedad Gestora de la Plataforma Tecnológica, S.L. (¹)	Juan Ignacio Luca de Tena, 7. Madrid	Publication and operation of newspapers, magazines in digital format	50.00%		53	(528)	83
Le Monde Libre Societé Comandité Simple (²)	17, Place de la Madeleine. París	Holding	20.00%		38	(17,636)	(299)

(*) Consolidated tax group Promotora de Informaciones, S.A.: 2/91
(¹) Data as of October 2018
(²) Data as of December 2017

INVESTEE	REGISTERED OFFICE	LINE OF BUSINESS	12-31-2018 (In thousands of euros)			
			% OF OWNERSHIP	SHARE CAPITAL	SHAREHOLDERS' EQUITY	EBIT
MEDIA CAPITAL						
Argumentos para Audiovisual, Lda. (CASA DA CRIAÇAO)	Rua Mário Castelhano, 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	94.69%	5	4	(50)
BEIRAS FM - Radiodifusão e Publicidade, Unipessoal, Lda. ("BEIRAS FM") (*Antes 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	94.69%	5	(64)	52
CLMC-Multimedia, Unipessoal, Ltda.	Rua Mário Castelhano, 40, Queluz de Baixo 2734 502 Barcarena. Portugal	Distribution of film activities, video, radio, television, audiovisual and multimedia	94.69%	5	177	(2)
COCO-Companhia de Comunicação, Unipessoal, Lda.	Rua Sampaio e Pina, nºs 24-26 1099 044 Lisboa. Portugal	Radio broadcasting	94.69%	50	77	19
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	94.69%	5	13	6
Emissoes de Radiodifusao, S.A. (RADIO REGIONAL DE LISBOA)	Rua Sampaio e Pina. 24/26. 1099-044. Lisboa. Portugal	Radio broadcasting	94.69%	110	162	588
Empresa de Meios Audiovisuais, Lda. (EMAV)	Rua Mário Castelhano, 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.)	94.69%	50	857	1,054
Empresa Portuguesa de Cenários, Lda. (EPC)	Rua Mário Castelhano, nº 40, Queluz de Baixo 2734 502 Barcarena. Portugal	Design, construction and installation of decorating accessories	94.69%	50	(1,174)	(651)
Grupo Media Capital, SGPS, S. A.	Rua Mário Castlhano nº 40. Queluz de Baixo. Portugal	Holdings	94.69%	89,584	88,090	35
Leirimedia, Produçoes e Publicidade, LDA	Rua Sampaio e Pina, nº 24-26 1070 249 Lisboa. Portugal	Production and realization of radio programs and shows, advertising, promotions and representations	94.69%	5	18	6
Media Capital Digital, S.A	Rua Mário Castelhano. 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	94.69%	55	(3,064)	(445)
Media Capital Música e Entretenimento, S.A (MCME)	Rua Mário Castelhano. 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	94.69%	3,050	(923)	(4)
Media Capital Produçoes, S.A. (MCP)	Rua Mário Castelhano. Nº 40. 2734-502. Barcarena. Portugal	Design, development, production, promotion, sale, acquisition, exploitation rights, recording, distribution and dissemination of audiovisual media	94.69%	45,050	(8,056)	(6)
Media Capital Rádios, S.A (MCR II)	Rua Mário Castelhano. 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	94.69%	192	(4,185)	-
Media Global, SGPS, S.A. (MEGLO)	Rua Mário Castelhano. Nº 40. 2734-502. Barcarena. Portugal	Holdings	94.69%	37,098	75,630	(28)
Moliceiro, Comunicacao Social, Lda.	Rua Sampaio e Pina. 24/26. 1070 249. Lisboa. Portugal	Broadcasting activity	94.69%	5	24	18
NOTIMAIA-Publicações e Comunicações, S.A.	Rua Sampaio e Pina, nºs 24/26 1099 044 Lisboa. Portugal	Radio broadcasting	94.69%	5	45	34
Plural Entertainment España, S.L.	Gran Vía, 32. Madrid	Production and distribution of audiovisual content	94.69%	6,000	16,308	(617)
Plural Entertainment Inc.	1680 Michigan Avenue. Suite 730. Miami Beach. EE.UU.	Production and distribution of audiovisual content	94.69%	109	(3,655)	(28)
Plural Entertainment Portugal, S.A.	Rua Mário Castelhano, 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	94.69%	36,650	34,286	(1,954)
Polimedia - Publicidade e Publicaçoes, Lda.	Rua Sampaio e Pina, nº 24-26 1070 249 Lisboa. Portugal	Broadcasting in production areas and programs transmission	94.69%	5	(57)	13
PRC Produçoes Radiofonicas de Coimbra,Lda.	Rua Sampaio e Pina, nºs 24-26 1070 249 Lisboa. Portugal	Cinema production, video and television programs	94.69%	7	-	25
Produçao de Eventos, Lda. (MEDIA CAPITAL ENTERTAINMENT)	Rua Mário Castelhano. 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	94.69%	5	(460)	174

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

INDIRECT HOLDINGS

INVESTEE	REGISTERED OFFICE	LINE OF BUSINESS	12-31-2018 (In thousands of euros)				
			% OF OWNERSHIP	TAX GROUP (*)	SHARE CAPITAL	SHAREHOLDERS' EQUITY	EBIT
Flor Do Éter Radiodifusão, Lda.	Rua Sampaio e Pina, nºs 24-26 1099 044 Lisboa. Portugal	Radio broadcasting in the areas of programme production and transmission	94.69%		5	14	6
Producciones Audiovisuales, S.A. (NBP IBÉRICA)	Almagro 13. 1º Izquierda. 28010. Madrid	Inactive	94.69%		-	13	-
Produçoes Audiovisuais, S.A. (RADIO CIDADE)	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%		156	264	232
R 2000 - Comunicaçao Social, Lda.	Rua Sampaio e Pina. 24/26. 1070-249. Lisboa. Portugal	Radio broadcasting in the areas of programme production and transmission	94.69%		12	20	14
R.C. - Empresa de Radiodifusão, Unipessoal, Lda.	Rua Sampaio e Pina, nºs 24-26 1099 044 Lisboa. Portugal	Radio broadcasting in the areas of programme production and transmission	94.69%		11	21	14
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	94.69%		3,789	6,058	5,119
Rádio do Concelho de Cantanhede.Lda.	Rua Sampaio e Pina, nºs 24-26 1099 044 Lisboa. Portugal	Radio broadcasting in the areas of programme production and transmission	94.69%		5	14	6
Rádio Litoral Centro, Empresa de Radiodifusao, Lda.	Rua Sampaio e Pina, 24-2 1099 044 Lisboa. Portugal	Radio broadcasting in the areas of programme production and transmission	94.69%		6	16	8
Rádio Nacional - Emissoes de Radiodifusao, Unipessoal Lda.	Rua Sampaio e Pina, nºs 24-26 1099 044 Lisboa. Portugal	Radio broadcasting in the areas of programme production and transmission	94.69%		11	20	14
Rádio Voz de Alcanena, Lda. (RVA)	Rua Sampaio e Pina, nºs 24-26 1099 044 Lisboa. Portugal	Radio broadcasting in the areas of programme production and transmission	94.69%		13	22	16
Rádio XXI, Lda. (XXI)	Rua Sampaio e Pina. 24/26. 1099-044. Lisboa. Portugal	Advisory services, guidance services and operational assistance to public relations companies and organisations	94.69%		42	14	79
Serviços de Consultoria e Gestao, 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%		(222)	(93)	(193)
Serviços de Internet, S.A. (IOL NEGÓCIOS)	Rua Mário Castelhano, 40, Queluz de Baixo 2734 502 Barcarena. Portugal	Production of multimedia, audiovisual and phonogram storage media	94.69%		532	664	671
SIRPA. Sociedad de Impresa Radio Paralelo, Lda.	Rua Sampaio e Pina. 24/26. 1099-044. Lisboa. Portugal	Broadcasting in production areas and programs transmission	94.69%		2	13	25
Sociedade de Produçao e Edição Audiovisual, Lda (FAROL MÚSICA)	Rua Mário Castelhano. Nº 40. 2734-502. Barcarena. Portugal	Production of multimedia, audiovisual and phonogram storage media	94.69%		(63)	(2,073)	(17)
Televisao 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%		19,494	52,867	27,749
Tesela Producciones Cinematográficas, S.L.	Gran Vía, 32. Madrid	Production and distribution of audiovisual content	94.69%	2/91	102	5,851	(18)

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

INDIRECT HOLDINGS

INVESTEE	REGISTERED OFFICE	LINE OF BUSINESS	12-31-2018 (In thousands of euros)				
			% OF OWNERSHIP	TAX GROUP (*)	SHARE CAPITAL	SHAREHOLDERS' EQUITY	EBIT
OTROS							
Audiovisual Sport, S.L	Av. de los Artesanos, 6 Tres Cantos. Madrid	Management and distribution of audiovisual rights	80.00%	2/91	6,220	6,269	(528)
Fullscreen Solutions, S.A. de C.V.	Montecito 38 Piso 6 Oficina 24 Col. Nápoles Del. Benito Juarez Ciudad de México 03100	Video advertising marketing	84.00%		-	(866)	(301)
Grupo Latino de Publicidad Colombia, SAS	Carrera 9, 9907 Oficina 1200. Bogotá. Colombia	Operation and advertising marketing	100.00%		183	631	(310)
Málaga Altavisión, S.A.	Paseo de Reding, 7. Málaga	Production and broadcast of videos and television programs	87.24%	2/91	3,525	(2,070)	-
Mobvious Corp.	2600 Douglas Road Suite 502 Coral Gables Miami Florida USA 33134	Marketing of advertising in digital media	60.00%		55	318	16
Plural Entertainment Canarias, S.L.	Dársena Pesquera. Edificio Plató del Atlántico. San Andrés 38180. Santa Cruz de Tenerife	Audiovisual production and distribution	100.00%	2/91	75	22	(1)
Prisa Brand Solutions USA, Inc. *(Antes Prisa Digital Inc.)*	2100 Coral Way. Suite 200. Miami. Florida. 33145. EE.UU.	Contracting of advertising exclusives	100.00%		6,833	(1,392)	(1,765)
Prisa Brand Solutions, S.L. (Sociedad Unipersonal)	C/ Valentín Beato, 48. Madrid	Contracting of advertising exclusives	100.00%	2/91	150	916	(8,958)
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	(623)	(2,970)
Prisa Inc. (En liquidación)	2100 Coral Way Suite 200 Miami 33145 U.S.A.	Business Management in USA And North America	100.00%		1,287	(410)	(7)
Prisa Producciones de Vídeo, S.L.	Gran Vía, 32. Madrid	Audiovisual production, distribution and commercialization	100.00%	2/91	3	(892)	(1,116)
Prisa Tecnología, S.L.	Gran Vía, 32. Madrid	Provision of internet services	100.00%	2/91	1,260	664	(714)
Productora Audiovisual de Badajoz, S.A.	Ramón Albarrán, 2. Badajoz	Provision of local television services	61.45%		498	(1,717)	-
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	800	-
Promotora de Actividades América 2010 - México, S.A. de C.V.	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)	-
Starm Interactiva, S.A. de C.V.	Montecito 38 Piso 6 Oficina 24 Col. Nápoles Del. Benito Juarez Ciudad de México 03100	Advertising marketing in digital media.	100.00%		77	(1,375)	(542)
Chip Audiovisual, S.A. (¹)	Coso, 100 . Planta 3ª puerta 4-50001. Zaragoza	Audiovisual productions for TV	7.50%		600	1,835	172
Factoría Plural, S.L. (¹)	Calle Biarritz, 2. 50017 Zaragoza	Production and distribution of audiovisual content	15.00%		175	1,933	227
Productora Canaria de Programas, S.A. (¹)	Enrique Wolfson, 17. Santa Cruz de Tenerife	Development of a promotional TV channel for the Canary Islands	40.00%		601	907	2
Sociedad Canaria de Televisión Regional, S.A.	Avenida de Madrid s/n. Santa Cruz de Tenerife	Audiovisual productions for TV	40.00%		910	1,541	387

(*) Consolidated tax group Promotora de Informaciones, S.A.: 2/91
(¹) Data as of November 2018

PROMOTORA DE INFORMACIONES, S.A. (PRISA)

Individual Directors' Report for 2018

1. BUSINESS PERFORMANCE

1.1. 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 profit from operations for each of the segments of 2018 and 2017 (in millions of euros):

	12.31.2018					
	Education	**Radio**	**Press**	**Media Capital**	**Other**	**Prisa Group**
PROFIT FROM OPERATIONS	**104.0**	**43.1**	**1.0**	**33.6**	**(96.5)**	**85.3**
Depreciation and amortization	45.6	8.2	4.3	6.6	0.8	65.5
Change in operating allowances	15.8	1.4	1.6	0.5	1.4	20.7
Impairment of goodwill	0.0	0.0	0.0	0.0	79.0	79.0
Impairment of assets	1.8	0,2	0.4	0.0	0.1	2.5
EBITDA	**167,3**	**52.9**	**7.3**	**40.7**	**(15.2)**	**253.0**

	12.31.2017					
	Education	**Radio**	**Press**	**Media Capital**	**Other**	**Prisa Group**
PROFIT FROM OPERATIONS	**110.2**	**28.4**	**(14.1)**	**32.2**	**(104.1)**	**52.6**
Depreciation and amortization	53.0	8.2	7.5	7.9	1.0	77.6
Change in operating allowances	14.1	2.4	1.1	0.2	0.3	18.1
Impairment of goodwill	0.0	0.0	0.8	0.3	85.7	86.8
Impairment of assets	2.0	2.4	8.7	0.1	(0.2)	13.0
EBITDA	**179.3**	**41.4**	**4.0**	**40.7**	**(17.2)**	**248.2**

Consolidated Group performance for 2018 was as follows:

Groups operating income amounted to EUR 1,280.3 million (-4.2%) and EBITDA to EUR 253.0 million (+1.9%). Both figures were negatively affected by the foreign exchange rate performance, IFRS 15 effect (positive effect in revenues and negative in EBITDA) and

Argentina's denomination as a hyperinflationary economy effect. On the other hand, it has been positively affected due to the sale of Santillana assets in USA.

The Group's Adjusted Operating Revenues and EBITDA in local currency and excluding the IFRS 15 and the sale of Santillana assets in USA, they grow by 1% and 9% respectively.

Key highlights in 2018 include:

- In Education, excluding the negative exchange rate effect and IFRS 15, and the positive effect of the sale of Santillana assets in USA, it manages to grow with respect to 2017 year due to good performance of the activity in Mexico, Peru, Chile, Argentina and Norma, compensating that year 2018 was a year without educational innovations in Spain and that it was a year of low cycle in Brazil.

- Radio saw an operating recovery in EBITDA by 27.9% due to good behavior in Spain (growth in EBITDA by 43.5%).

- Growth in digital advertising in Press. Costs have been reduced during the year.

- Media Capital manages to increase its advertising revenues by +5%. The operating result remains at 2017 levels.

- The exchange rate performance had a negative impact in 2018: EUR -88.4 million in income (of which EUR -7.3 million correspond to Argentina's hyperinflation) and EUR -22.2 million in EBITDA (of which EUR -3.8 million correspond to Argentina's hyperinflation).

- The implementation of the announced Group's Efficiency Plan generates savings in expensives of EUR 48.5 million in 2018. The impact on EBITDA is EUR 39.6 million.

Business performance for 2018 was as follows:

Operating earnings for **Education** amounted to EUR 600.5 million (-8.5% compared to 2017). Excluding the negative exchange rate impact (EUR -79.9 million, including hyperinflation effect in Argentina), IFRS 15 effect (EUR -2.7 million) and sale of Santillana assets in USA (EUR +7.1 million), income increased compared to 2017 (+3.0%). EBITDA reached EUR 167.3 million (-6.7%). Excluding the exchange rate effect (EUR -23.4 million, including hyperinflation effect in Argentina), IFRS 15 effect (EUR -2.3 million) and sale of Santillana assets in USA (EUR +7.1 million), EBITDA increased +4% over 2017.

- Campaigns in the south area closed with a solid performance in the most important countries. Brazil stands out which despite to be a low cycle year, it maintain revenues in line compared to 2017 (at constant currency and excluding IFRS 15 effect). They also highlight Argentina, Chile, Colombia and Peru.

- Campaigns in the north area (mainly Spain and Mexico) saw earnings fall (-6.2% in local currency and excluding IFRS 15 effect and the sale of Santillana assets in USA), mainly due to Spain (-7% because 2018 is a year without innovations, and also due to "double use" effect) and USA (sale of business). Instead, the good performance in Mexico offset this fall (+5% in local currency and excluding IFRS 15 effect).

- The digital education systems (UNO, Compartir, Farias Brito, Educa y ESL) continue their expansion in Latin America, increasing the number of students by +6% until reaching 1.2 million students.

Operating income in **Radio** reached EUR 287.6 million, growing +2.5% with respect to 2017 and EBITDA came in at EUR 52.9 million (+27.9%) due to the best evolution in Spain. At constant exchange, revenues grow by +5.2% while EBITDA grow by +26.6%.

- Advertising for Prisa Radio in Spain has grown by +5.4%. The Local advertising shows a growth by +2.5% while national advertising accounts a +7.9% growth, by in part due to World Cup effect.

- In Latin America, the advertising grew by +5.8% in local currency (-1.6% in euros due to the currencies depreciation and the hyperinflation effect in Argentina). Highlights the good performance in constant currency in Colombia whose advertising grows by +8.7%.

- The exchange rate effect has negatively impacted in revenues (EUR -7.7 million) while at EBITDA level the effect has been positive (EUR +0.5 million). In both cases, highlights the hyperinflation effect in Argentina. Excluding the exchange rate effect, revenues grew by +5.2% and EBITDA by +26.6%.

- 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 203 million (-7.9%). Traditional advertising, circulation and promotions decreased. The rise in digital advertising and cost savings partially offset these impacts. EBITDA reaches EUR 7.3 million, growing by +85% compared to 2017.

- Circulation revenue continued to see a -14% decrease.

- The promotions revenue decreased by -41%, although the result is positive and it's in line with 2017.

- Advertising revenue grew by +1.6% for the period. Digital advertising rise 16% (representing 53% of all advertising revenue in the division), offsetting the drop in Traditional advertising (-11%).

- An average of 126 million unique visitors was recorded in 2018 (+16%).

- El País strengthened its position as the top Spanish-language newspaper in world media rankings and AS maintained its digital leadership in America.

In **Media Capital**, revenues reached EUR 181.8 million (+9.9%) and EBITDA EUR 40.7 million, in line with 2017. The IFRS 15 effect has supposed a growth in revenues and expenses in the same amount (EUR 14 million). Excluding this impact, revenues grew by 1.5%.

- Advertising revenues grew by 4.9% in 2018 (+2.6% excluding the IFRS15 effect).

- TVI maintained its 24-hour and prime time leadership, hitting average daily audiences of 21% and 24% respectively for total Television audiences.

- Media Capital radio maintained its number one position in listeners (Radio Comercial has a 25% 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):

	2018	**Exchange rate effect**	**20178 excluding exchange rate effect**	**2017**	**Change excluding exchange rate effect**	**Change (%) excluding exchange rate effect**
Education (*)						
Operating income	600.5	(79.9)	680.5	656.2	24.3	3.7
EBITDA	167.3	(23.4)	190.7	179.3	11.4	6.3
Radio						
Operating income	287.6	(7.7)	295.2	280.7	14.6	5.2
EBITDA	52.9	0.5	52.4	41.4	11.5	27.9
Prisa Group						
Operating income	**1,280.3**	**(88.4)**	**1,368.7**	**1,335.7**	**33.0**	**2.5**
EBITDA	**253.0**	**(22.2)**	**275.2**	**248.2**	**26.5**	**10.7**

(*) Excluding the exchange rate effect of Venezuela.

The Group's **net bank debt** decreased by EUR 588.6 million for the year and came in at EUR 928.6 million to December 2018.

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, 2018 and December 31, 2017:

	Million of euros	
	12.31.18	12.31.17
Non-current bank borrowings	1,149.7	703.5
Current bank borrowings	76.1	1,037.0
Loan arrangement costs/Fair value	22.8	17.5
Current financial assets	(24.9)	(23.3)
Cash and cash equivalents	(295.1)	(217.5)
NET BANK DEBT	**928.6**	**1,517.2**

1.2. Market environment

1.2.1. Economic environment in Spain and Portugal

2018 has continued the heyday of growth, with positive growth rates in Spain and Portugal, although with symptoms of deceleration.

So, in 2017 GDP growth in Spain was +3.0% while in Portugal it was +2.7%. The latest forecasts for 2018 indicate that:

- Spanish GDP has grown +2.7%, according to the IMF, for the fifth year running, since the end of the crisis in 2013.
- With regard to Portugal, in 2018 GDP is expected to grow by 2.1% according to the latest forecasts from the Bank of Portugal as at December 2018. It also links five years of growth.

The improvement in the economic environment has had a positive impact on private consumption. Private consumption in Spain grew by +2.4% in 2014, by +3.6% in 2015 y 2016 and by +0.8% in 2017 (slow-down due to the events in Catalonia). According to FUNCAS, consumption of retail sales is +0.6% in 2018.

In quarterly terms, according to the information of FUNCAS, retail sales have had an erratic behavior during 2018: growing in 2018 Q1 by 1.9%, by +0.1% in Q2, falling by -0.6% in Q3, and growing by +1.3% in Q4.

In Portugal, according to the OECD data, private consumption grew by +2.2% in 2018.

1.2.2. 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 (+6.6%), according to public sources (i2P). This improvement continued in 2016, although growth started to decline (+4.1%), confirming the downward trend in 2017, with a growth of +2.0%. According to the February 2019 report of i2P, the market grows by +1.3% with respect to 2017.

The evolution by sector shows that the market has had an uneven performance in 2018: growth has continued in Internet, Radio, Press, Outdoor, Cinema and Social Network. Highlights the Press and Outdoor advertising, where digital growth offset the fall of the traditional advertising. On the contrary, it highlights the decline in Television (-0.6%) and continue the decline in magazines and Sunday supplements.

In the case of Portugal, according to in-house estimates, the overall market of free-to-air TV advertising is estimated to have grown by +1% in 2018. In Radio, the estimate is market has declined -1.7% with regard to 2017 (data from September), while growth in the Internet market reach +23.3%.

1.2.3. Economic environment in Latin America

In general, according to the IMF projections (October 2018), the countries where the Group is exposed, have shown growth in 2018 (except for Venezuela, Puerto Rico and Nicaragua). Argentina has also suffered the impact of peso depreciation and high inflation, which has meant that the country has become defined as a hyperinflationary economy. Thus, the IMF forecast is that Argentina's GDP falls -2.6% in 2018. Instead, Brazil (+1.4%) has continued the growth path initiated in 2017. Other countries continue to show solid growth. Thus, Colombia will grow by +2.8% (1.8% in 2017), Chile by +4.0% (1.5% in 2017), Mexico by +2.2% (+2.0% in 2017) or Peru by 4.1% (+2.5% in 2017). Growth will be ongoing in general in 2019, at a higher rate than in 2018, according to the IMF projections (October 2018), except for Argentina (it continues to suffer the effects of the cuts for the aid received by the IMF, although the fall is less than 2018: -1.6%), Venezuela and Puerto Rico. Brazil will see a higher growth rate (it is expected to grow by 2.4%) while the upswing in Colombia (+3.6%), Chile (+3.4%), Mexico (+2.5%) and Peru (+4.1%) stands out.

The Group's results in Latin America have been negatively impacted by the weakness of the exchange rate, especially in Argentina, Brazil, Mexico and Colombia. The negative impact in the Group reaches EUR 88.4 million revenues and EUR 22.2 million EBITDA in 2018. As a result, the Group's recurrent revenues in Latin America have fallen by -9.0%, in comparison with the rise of +4.8% that would have been obtained with a fixed exchange rate. The EBITDA for Latin America has fallen by -6.0%, compared with the rise of +6.8% 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 (negative effect of currency depreciation of EUR -55.1 million in revenue), while throughout the second half of the year, the effect was also negative (currency depreciation with an effect of EUR -33.3 million in revenue). At the EBITDA level, the effect was even more significant in the first half (EUR -18.1 million) compared to the second (EUR -4.2 million).

During 2018, the currencies of Argentina, Brazil, Mexico and Colombia, have meant the 80% of the impact in EBITDA.

2. OUTLOOK

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

According to the IMF (data from October 2018), 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 the 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 2018), growth will be ongoing in all countries where Prisa operates in 2019, at a higher rate than in 2018, except in Argentina (it continues to suffer the effects of the cuts, although the fall is less than that suffered in 2018), Venezuela, Puerto Rico and Nicaragua. Brazil will see a higher growth rate (2.4%) while the upswing in Colombia, Chile, Mexico and Peru stands out.

Group business performance will be affected by economic growth. Group earnings will also be affected by the performance of exchange rates. During 2018, the Group's results in Latin America were negatively affected by the weakness of the exchange rate in Argentina, Brazil, Mexico and Colombia. It’s expected by 2019 that the depreciation will continue in most Latin America currencies in the comparison with 2018.

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 38% of the total during 2018). 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 is growing. Effectively, it has increased by 15.6% in 2018 and in the Press Business it already represents 53% of advertising revenues (46% in 2017). According to data from i2P (February 2019) growth continues in 2018.

The advertising market in Spain throughout 2018 has growing by +1.3% according to the i2P report. The estimation of this same source for the year 2019 shows a growth in the Spanish market of +0.7%.

In Spain, the Group's advertising revenues grew by +4.0% in 2018, affected by the evolution of Radio advertising (with growth in both national and local), by digital advertising in Press and by World Cup effect. For the year 2019 advertising revenues are expected to grow in line with digital growth and the continuation of good performance in Radio (both in National and Local).

In Latin America, according to the "PWC Global Entertainment and Media Outlook Report 2018-2022" report, the radio sector expected the advertising market to grow by 3.8% in 2018. Prisa Radio in Latin America has grown 5.6% at constant exchange rates, mainly due to growth in Colombia. For the year 2019, Prisa Radio is expected to continue growing (at constant exchange rate), especially in Colombia (supported by the elections effect and in the Copa America). The market context, according to PwC, continues to expect growth for the region (+3.9%). In the case of Colombia, according to Asomedios+Andiarios, is expected a growth by +0.8%.

In Portugal, the advertising market evolution in 2018 has grown in free-to-air TV sector (+1% according to internal estimates) and digital (+23.3%), while in the Radio sector it has suffered a slight fall (-1.7%). In this context, Media Capital’s advertising revenues have grown by +4.9% with respect to 2017 (+2.6% without the effect of IFRS 15), due to the increase in Television. For the year 2019, it’s expected the market will continue to grow in Television and Digital, while for Radio the market is expected to remain online. Thus, Media Capital estimates to grow above 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 2018 contributed 46.9% of the Group's total revenue and 66.1% of its EBITDA. Revenue in Latin America declined -9.3% during this same period due to a negative exchange rate effect. At a constant exchange rate, Education in Latin America grow by 5.6% thanks to evolution in Chile, Peru, Mexico, Argentina (institutional sale), PNLD in Brazil (despite being a low cycle year, an extraordinary result has been achieved) and the sale of assets (Santillana USA and sale of a building in Argentina). These growths offset the fall in Spain (year without new features and the dual use effect) and the perimeter effect of selling the business in the USA. In turn, the digital education systems (UNO, Compartir, Farias Brito, Educa y ESL) continued to expand in Latin America, growing both in students and in billing (in local currencies). The evolution in 2019, in terms of Systems, mainly depend on students signing up, the evolution of the exchange rate (the depreciation of the currencies is expected to continue) and the growth in most of the countries, highlighting Spain (educational developments are expected) and Brazil (year of mid cycle of institutional sales).

Part of Group growth for 2019 will rely on digital expansion. Digital audiences have experienced significant growth (151.9 million unique browsers at December 2018, which represents a growth of 7% compared to the same period of the previous year). In 2019, 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.

For the 2019 year, the Group will continue to be active in strengthening its balance sheet structure, reducing debt and focusing on cash generation.

3. MAIN RISKS ASSOCIATED TO THE BUSINESS

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

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

- Strategic and operational risks.
- Financial risks.

In the Corporate Governance Report are detailed specific actions and bodies used to identify, valuate and manage these risks.

3.1. Risks relating to the financial and equity situation

Financing risk-

The Company's financial obligations are set out in note 7.2 "*Financial liabilities*" in the attached consolidated financial statements.

As of December 31, 2018, the Group's net bank debt level stood at EUR 928.6 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.
- It limits the ability to adapt to changes in the markets.
- It places the Group at a disadvantage with regard to less indebted competitors.

As described in the Prisa financial statement for the year 2018, the Company reached an agreement with all the financial creditors of the *Override Agreement* (agreement to refinance the Group's debt signed in December 2013) to refinance and modify the terms of Prisa's current financial debt. This agreement came into force on June 29, 2018. The Refinancing agreement contemplates the extension of the debt maturity from 2018 and 2019 to the year 2022 with no amortisation obligation until December 2020.

In addition, the level of net indebtedness has been reduced from EUR 1,517.2 million at December 31, 2017 to EUR 928.6 million at December 31, 2018.

In addition, the contracts governing Prisa's Group debt terms stipulate requirements and commitments for compliance with specific leverage and financial ratios (*covenants*). These contracts also include provisions on cross-default, which could cause, if the breach exceeds certain amounts, the early maturity and resolution of the contract in question, as well as the *Override Agreement*.

Equity situation of the Group's Parent Company-

As of December 31, 2018, the equity of the Company with respect to the cause of dissolution and/or reduction of capital stipulated in Spain's Corporate Enterprises Act stood at EUR 418,653 thousand, greater in EUR 68,718 thousand to the two thirds of the capital stock (EUR 524,902 thousand).

The evolution of Prisa's net equity will depend, among other factors, on the performance of the Prisa Group's businesses, the recoverability of financial assets and investments, the cost of debt financing, possible contingencies and other operating costs of the Company. In this respect, an unfavourable evolution of the Company's net equity could lead to a situation of equity imbalance as concerns commercial legislation. This situation could entail the need to propose, to the competent corporate bodies, the implementation of new capital decreases or increases; or, in the event of a cause for dissolution that is not resolved as provided by law, the dissolution of the 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, 2018, advertising revenue represented 37.8% 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 this respect, on June 29, 2018, within the framework of debt refinancing, the Company established a Super Senior credit policy until June 2023, in the amount of EUR 50 million, to finance the Company's operating needs. As of 31 December 2018, no drawdowns of the aforementioned policy have been made.

In terms of the commercial credit risk, the Group assesses the age of the trade receivables and constantly monitors the management of the 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 98.01% 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.

Moreover, a possible unfavourable performance in the economies of the Latin American countries where the Group operates could translate into hyperinflationary situations, with the consequent negative impact on exchange rates.

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, 2018, the consolidated Group had active tax credits amounting to EUR 135.4 million; of these, EUR 87 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 changes in tax rules or 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.

3.2. Strategic and operational risks

Macroeconomic risks-

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

During the year 2018, 59.9% of Group operating income came from international markets. Nevertheless, Spain continues to be the Group's main geographical market (representing 40.1% 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 television, press and radio businesses. As of December 31, 2018, advertising revenue represented 37.8% 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.

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 Television, Press and Radio businesses, and the Group is fighting for advertising against traditional players, multinational online audiovisual and musical content platforms, new online 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. In addition, there is a growing trend towards access to open educational content through online sites, and the market for second-hand materials is growing. However, the number of schools that do not use books and that develop new content within the scope of their own curricular autonomy is increasing.

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 licenses 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. During 2018, 20.2% of the operating income of the Education business 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 preferences and audience consumption habits.

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 Television, 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, 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.

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 centers. 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 several technology providers its information technology management service and the development of innovative projects at some Group companies. If this service provision ceases or the service was transferred to new suppliers, 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.

To manage this risk, the Group manages and monitors legal proceedings and is advised by independent experts.

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.

4. NON- FINANCIAL INFORMATION

The Company's non-financial information is included, in an aggregated form, in the non-financial information statement presented in the consolidated financial statements report of Promotora de Informaciones, S.A., the parent company of the group to which it belongs. Promotora de Informaciones, S.A. deposits its accounts together with the consolidated financial statements report in the Mercantile Registry of Madrid.

5. RESEARCH AND DEVELOPMENT ACTIVITIES

As a result of the Company's business activities, it does not carry out research and development activities, but it is the parent company of a Group which is constantly adapting applications and management processes to changes occurring in its businesses, as well as technological changes. It participates in and is a member of various international and domestic associations and forums which enable it to identify possible improvements or opportunities to innovate and develop its services, processes and management systems.

In 2018, the **News** business unit continued driving developments in the areas of content distribution, data and distribution. The creation of **Content API** has been particularly important, which allows consolidation of all the content in a database that enables big data analysis and greater agility in content distribution, among other functions. El País already has all its content accessible in this Content API, and the As is preparing to be included soon.

In the area of distribution, the content of As and El País have been available since February 2018 in the Google Play Kiosk news application, and interactive applications have been developed for Google Assistant and Alexa. In March, the Movistar eSports portal will be integrated on As.com, a website with content on the thematic channel of the Movistar Television platform; and in April the **As Arabia portal** will be launched, a Joint Venture with the group Qatarí Dar Al Sharq, to bring the best sports information to 25 countries in the Arabic world. Web notifications are also activated in As, with 2 million users, a test is being conducted with WhatsApp to test its value as an interactive channel where the user can find the most relevant sports information of the day, and an agreement has been reached with Twitter for the creation of a new live football service adapted to new consumption tendencies and aimed at improving monetisation.

El País and As are also pioneers within the ecosystem of smart speakers: with their newsletters and applications, they are strategic partners of the launches in April for Google devices, and in October for Amazon and Apple devices; El País is also the first medium in Spanish that has a sponsorship of a newsletter for these platforms. Part of this effort towards the new audio ecosystem is the creation of a podcast platform that allows the publication of this type of content on the websites of both El País and As, and on the main platforms of Apple and Google.

2018 has also been testament to significant efforts to improve the technical performance of the sites for optimal reader experience. **Akamai CDN** has been implemented in El País, which allows improved performance of elpaís.com from any access point anywhere in the world. Web page optimisation improvements were also implemented in As in October, which improve the speed when loading the page. The improvements spurred results of up to a 30-point increase in the tests performed with Google tools.

The advances in data modelling and machine learning that have occurred this year are significant. Predictive models of propensity for registration and segmented web campaigns have been created at El País, allowing new advertising models based on data, which are receiving an increasing demand among premium advertisers. dKPI monitoring tables have been developed that were not previously systematically accessible, such as editorial production, article engagement, their exposure and traffic, and segmentation of the different browsing metrics by audience tiers.

Finally, since As and El País collaborated with Google for the Spanish training of **Perspective API**, an artificial intelligence has been created that makes it possible to automatically detect the toxicity of user comments, facilitating moderation and raising the level of conversation in the media. The impact of this is reflected in the demonstrated interest in other relevant mediums that want to replicate the experience in their respective languages.

In 2018, **Prisa Radio** concentrated its innovative efforts on the distribution and monetisation of digital audio, both live and on demand.

The main lines of progress were:

- The development of applications for **smart speakers** for the brands SER, LOS40 and Podium. These applications allow accessing content with simple voice commands, such as "Listen to Cadena SER", "Give me the latest news" or "Put on El Larguero" and are compatible with the platforms Alexa, Amazon and Google Assistant.
- The creation of a new generation of our production platform for **mobile radio applications** for both spoken and musical formats. This "factory" makes it possible to generate and maintain low-cost applications for listening to live and on demand content, adapting to the needs of stations of any size.
- The creation of new **web players** for spoken radio stations in Colombia, Mexico, Chile and Argentina, that offer easy and organised access to all the richness of content offered by the brands. These players have been optimised for use on mobile devices.
- The development of a system that allows the **automatic extraction of news bulletins** in local and national broadcasts. The automation of the process allows news summaries to be available within minutes of their broadcast on all distribution channels.
- The integration of our audio advertising ecosystem with **data platforms**. Thanks to this, we can offer online audio campaigns -direct and programmes- segmented with our own data and third-party data.

In the field of **Education**, Santillana has focused especially on issues related to research on innovation and transformation in schools, in-depth analysis of different trends related to education, and the continuation of the **SantillanaLAB** space in order to deepen the knowledge of the current educational reality and its demands for products and services.

The #SantillanaLAB observatory has allowed the exploration of in-depth questions related to the methodological innovation that is taking place in schools in Spain and Latin America; learning about the new actors in the current educational process; going in-depth into everything related to the new products and services that schools, teachers, students and families have within their reach; and delving into everything related to education and technology. As a result, a total of nine dossiers have been produced, with approaches as attractive as GAFAM and education; Conquerors of the 21st and 22nd centuries; Deep learning; Is each brain a world?; Learning in a world of screens; The future is made of mathematics; Is the new editorial the teacher?; The user is the new curriculum; Learning, land of phenomena; and Contrived Artificial Intelligence?

Furthermore, understanding how educational transformation and innovation are being approached in schools, how it affects the way schools are organised, how teachers and students work, how they relate to each other and how they learn, were the object of the **study carried out jointly with the research team from the University of Granada**. The aims of this study were not only to identify and characterise the specific topics on which educational innovation is developed in Spain, but also to identify and characterise the working tools used by teachers, the methodologies that are bursting into classrooms, the conditions that facilitate or hinder new educational practices, and the processes that are carried out in the schools that develop transformation projects. The lessons learned have been published in a document that also contains a proposal for an action plan for Santillana.

Through the #SantillanaLAB space, we have continued to explore topics such as educational video (or the educational use of video), with the aim of conceptualising a commercial product or service based on the consumption of audiovisual content curated and added from Santillana; podcasts in education, to understand the role of the podcast in our classrooms and in the learning process, including the development of prototypes that have been part of several pilot experiences; #artthinking as a transversal methodology that can be shaped into a differential proposal for Santillana; and the possibility of extrapolating the lessons of the Fontán pedagogies to other countries and regions.

K-12 **Math** and the products on the market were another essential focus throughout 2018, and in this case the objective was the development of a map of mathematics offers for primary and secondary schools, which served to collect, unite and standardise all the information available from our area. All this knowledge has become a tool called the "Brújula de las Matemáticas", which allows us to have a detailed picture of products and services in Spain, Latin America, USA, United Kingdom, Japan, India, China, Korea and Singapore, but also to understand trends in the teaching of mathematics, methodological currents and the arrival of new players that understand the need to improve the teaching and learning of mathematics.

Finally, the leading role of communication spaces and forums should be highlighted: **IneveryCREA** (nominated as the Most Influential Educational Portal in the II National

Awards of Educational Marketing), and the **SantillanaLAB blog**, which we worked with throughout 2018 to merge it with the "Líderes Compartir" initiative.

At the same time, in 2018 R&D&I has taken on commercial tasks related to **SET VEINTIUNO**, with the idea of complementing and extending the arrival of the commercial network in Spain, taking advantage of the advanced knowledge of a product required for a consultative sale, or approaching the sale from a perspective of innovation while also understanding the new educational reality.

For its part, **Grupo Media Capital** focused mainly on the following lines of progress in 2018:

- Investing in the creation of new digital content for distribution on the different platforms and media of the Grupo Media Capital, with special importance given to the application "*TVI Player*". It also invested in radio applications for the launch of 14 new radio stations in their digital version, along with the traditional versions in FM.
- Development of the "*Onlive*" project, which allowed for live broadcast (*streaming*) of the Grupo Media Capital television channels and videos in the different websites of the Group.
- Association with *Weather Channel* to develop new innovative ways to disseminate meteorological information to municipalities.
- Creating an integrated solution ("*All in one*") for payment via mobile devices.
- The "*Proyecto Nónio*" developed the creation of a digital advertising market with professional content, which promotes increased effectiveness of advertising.

6. LIQUIDITY AND CAPITAL RESOURCES

6.1. Financing

Note 7.2 *"Financial Liabilities"* of the accompanying notes to the consolidated financial statements of Prisa for 2018 provides a description of the use of financial instruments by the Company.

6.2. Contractual commitments

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

6.3. 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, (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.

7. 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, 2018, Promotora de Informaciones, S.A. held a total of 1,622,892 treasury shares, representing 0.291% of its share capital.

Treasury shares are valued at market price at December 31, 2018 (1.76 euros per share). The total amount of the treasury shares amounts to EUR 2,856 thousand.

At December 31, 2018, the Company did not hold any shares on loan.

8. SHARE PERFORMANCE

Description of Prisa's shareholder structure.

At December 31, 2018, share capital of Prisa amounts to EUR 524,902 thousand and is represented by 558,406,896 ordinary shares, all belonging to the same class and series, with a nominal value of EUR 0.94 each, fully subscribed and with identical rights.

During 2018, several operations have taken place, which have modified total share capital:

- As of February 2018, a capital increase with preferential subscription rights took place amounting 441 million euros through the issuance of 469,350,139 new shares. Total effective amount of capital increase, considering nominal value (0.94) and share premium (0.26) amounted 563 million euros.

- At the same time and in relation to the warrants issued pursuant to the resolutions of the General Shareholders’ Meeting of the Company held on December 10, 2013, throughout 2018, warrants have been exercise by certain institutional investors in two occasions, which has led to carry out the corresponding capital increases amounting 140,524 shares and 88,870 shares respectively.

Main shareholders in the Company´s share capital in 2018 were Amber Capital, HSBC, Telefónica, Rucandio, Adar Capital, International Media Group, Consorcio Transportista Occher S.A, Bank Santander and Carlos Fernandez. Free float stood at around 17%.

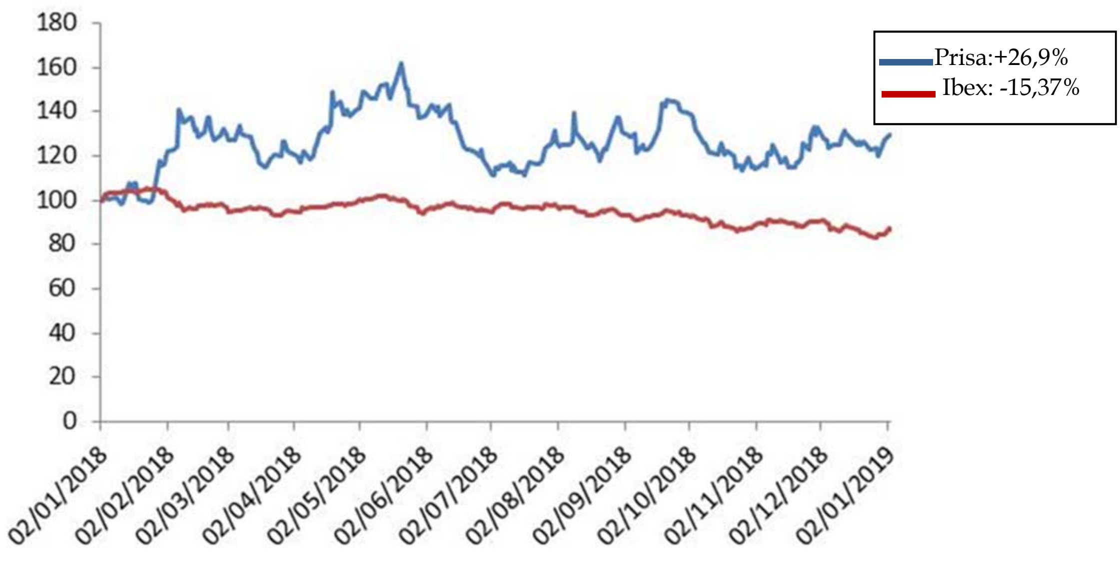
Share price performance

Prisa ordinary shares started 2018 trading at a price of EUR 1.39 per share (January 2, 2018) and ended the year at EUR 1.76 per share (December 31, 2018), implying a revalorization of 26.9%.

Prisa's share price performance in 2018 has been conditioned to the Company capital structure and financial structure and to the Company operating evolution.

During 2018, 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.At the same time, during 2018, several measures have taken place including management changes, the launching of an efficiency plan and public credit ratings among others.

The following chart shows the performance of the Prisa Group's shares relative to the IBEX35 index in 2018, indexed in both cases to 100:



Source: Bloomberg (January 2, 2018- December 31, 2018)

9. 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 of Grupo Prisa located in Spain rises, in 2018, to 61 days.

The maximum legal period of payment applicable in 2018 and 2017 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 continue reducing the average period of payment to suppliers to legally permitted levels, except in cases where specific agreements with suppliers exist which set further deferments.

10. EVENTS AFTER THE BALANCE SHEET DATE

On February 26, 2019, the Board of Directors approved the acquisition by Prisa Group of the remaining 25% of the share capital of Santillana currently controlled and held by DLJSAP Publishing Limited ("DLJ"), a company a company owned by funds managed or advised by Victoria Capital Partners.

In the same date, Prisa Activos Educativos, S.L. —a subsidiary wholly-owned by Prisa—and DLJ entered into a sale and purchase agreement in relation to the quotas representing 25% of the share capital of Santillana.

The price of the acquisition was a fixed amount of 312.5 million euros (the "Total Consideration") which will be fully paid in cash.

The Total Consideration will be funded by Prisa through a combination of: (i) the proceeds of a capital increase by means of cash contributions, with preferential subscription rights, to be carried out in the amount and on the terms determined by the Board of Directors and (ii) cash available on the Company's balance sheet funded mainly from the net proceeds of the capital increase with preferential subscription rights carried out in February 2018, and (iii) funds available through cash pooling that the Company maintains with Prisa Gestión Financiera, S.L. (Sole proprietorship).

The closing of the acquisition is subject to obtaining the required authorization from the Spanish competition authorities—which is expected to be notified immediately and obtained during March 2019—and to the execution of the capital increase above mentioned. Banco Santander, S.A. and Prisa have entered on the same date into an agreement, subject to customary terms of this kind of documents, whereby Banco Santander, S.A. has committed to underwrite the capital increase in an amount of up to EUR 200 million at a subscription price to be determined in the corresponding underwriting agreement.

On March 7, 2019, the authorization of the Spanish competition authorities was obtained.

Promotora de Informaciones, S.A. and Subsidiaries

Consolidated Financial Statements for the year ended 31 December 2018, 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

Deloitte, S.L.
Plaza Pablo Ruiz Picasso, 1
Torre Picasso
28020 Madrid
España

Tel: +34 915 14 50 00
Fax: +34 915 14 51 80
www.deloitte.es

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 2018, and the consolidated statement of profit or loss, 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 2018, 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.

Deloitte, S.L. Inscrita en el Registro Mercantil de Madrid, tomo 13.650, sección 8ª, folio 188, hoja M-54414, inscripción 96ª.
C.I.F.: B-79104469. Domicilio social: Plaza Pablo Ruiz Picasso, 1, Torre Picasso, 28020, Madrid.

Restructuring of the Group's financial debt

Description

As indicated in Notes 1-b and 11-b to the accompanying consolidated financial statements, on 22 January 2018 the Parent entered into an agreement with all the financial creditors to refinance and modify the terms and conditions of the Override Agreement (agreement to refinance the Group's debt entered into in December 2013), which entered into force on 29 June 2018 following the fulfilment of certain conditions. Additionally, in February 2018, a capital increase in the parent company was subscribed in an amount of EUR 563,220 thousand.

On 29 June 2018, and as one of the prior conditions for the entry into force of the agreement, the Parent repaid a portion of its bank debt amounting to EUR 480,000 thousand.

The refinancing agreement also entailed a debt restructuring process, whereby a new borrower, the investee Prisa Activos Educativos, S.L. (Sole-Shareholder Company), was included; this investee assumed as borrower a portion of the debt recognised at the Parent prior to the entry into force of the refinancing agreement for a nominal amount of EUR 685,000 thousand, all in the framework of a corporate reorganisation of the Group.

We identified this matter as key in our audit, since the financial restructuring has had a significant impact on the Group's consolidated financial statements.

Procedures applied in the audit

Our audit procedures included, among others:

- Meetings with management to understand the financing structure.
- Obtainment of the various contractual agreements reached, as well as the addenda and communications maintained between the parties, and analysis of that documentation, involving our internal legal experts in gaining an understanding of and assessing certain contractual aspects related to the transaction described above.
- Analysis of the effects associated with the agreement to restructure the financial debt and the corporate reorganisation, as well as the accounting treatment thereof in the consolidated financial statements.
- Confirmation of bank balances at 2018 year-end through receipt of letters issued by the banks involved.
- With respect to the capital increase transaction carried out by the Parent, we compared the information relating to the transaction described in the minutes of the Board of Directors and General Meetings. In addition, we verified documentation supporting the execution of the capital increase by obtaining and analysing the public deed of increase registered at the Mercantile Registry and we obtained and checked the bank statement reflecting the cash inflow.

In addition, we assessed the adequacy of the disclosures provided in Notes 1-b and 11.b to the accompanying consolidated financial statements with respect to the requirements of the applicable regulatory financial reporting framework.

Recoverability of deferred tax assets

Description

The consolidated balance sheet as at 31 December 2018 includes a balance of EUR 135,363 thousand relating to deferred tax assets, of which a relevant amount corresponds to tax assets of the Spanish tax group of which the Parent is the head.

At 31 December 2018, 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.

The updating of the tax plan gave rise to the recognition in 2018 of impairment losses on tax assets amounting to EUR 200,999 thousand (see Note 17).

We identified this matter as key in our audit, since the preparation of the 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 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 Group management, including the analysis of the key assumptions used, the review that they are consistent with reports from independent third parties and with market information, and the review of the consistency of the actual results obtained by the various business lines with those projected in the tax plans of previous years. We also obtained evidence of the approval by the Board of Directors of the budgeted results included in the tax plan. Furthermore, we conducted a sensitivity analysis of changes in the key assumptions, as well as an evaluation of the degree to which the recoverability of the tax assets included in the tax plan complies with the applicable tax legislation, for which we involved our tax experts.

Lastly, we assessed whether the disclosures provided in Notes 4-m and 17 to the accompanying consolidated financial statements are adequate with respect to the requirements in this connection contained in the applicable regulatory financial reporting framework.

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

Description

As indicated in Note 13 to the accompanying consolidated financial statements, the Prisa Group obtains revenue from various lines of business. The fact that there are different types of business line means that the Group's revenue recognition is affected by various accounting policies depending on the various products and services provided by the Group and that different computer systems are used depending on the source of revenue.

Specifically, the revenue from sales of books and training in education, which accounted for approximately 46% of the Group's total revenue at 31 December 2018, 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 accounting closing.

In turn, the revenue from advertising and sponsorship sales in the radio, press and Media Capital, which accounted for approximately 39% of the Group's total revenue at 31 December 2018, 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 contractual 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, completeness, accuracy and cutoff of these revenue lines were considered to be key matters in our audit.

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 involved in the recognition of revenue from Group's various lines of business, as well as tests to verify that 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 contractual 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 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 whether they had been recognised in the correct period.

- Tests of details on the returns received after year-end and their consistency with the estimates made, using sampling techniques.

Lastly, we assessed whether the disclosures provided in Notes 4-k and 13 to the accompanying consolidated financial statements are adequate with respect to the requirements in this connection contained in the applicable regulatory financial reporting framework.

Other Information: Consolidated Directors' Report

The other information comprises only the consolidated directors' report for 2018, 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 of responsibility in this regard:

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 2018 and its content and presentation are in conformity with the applicable regulations.

Responsibilities of the Directors and Audit, Risk and Compliance 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, risk and compliance 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 7 and 8, forms part of our auditor's report.

Report on Other Legal and Regulatory Requirements

Additional Report to the Parent's Audit, Risk and Compliance Committee

The opinion expressed in this report is consistent with the content of our additional report to the Parent's audit, risk and compliance committee dated 12 March 2019.

Engagement Period

The (Annual/Extraordinary) General Meeting held on 25 April 2018 appointed us as auditors of the Group for a period of one year from the year ended 31 December 2017, i.e., for 2018.

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

12 March 2019

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, risk and compliance 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, risk and compliance 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, risk and compliance 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 2018 prepared in accordance with International Financial Reporting Standards as adopted by the European Union, together with Consolidated Directors' Report for 2018

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

Consolidated Financial Statements for 2018 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, 2018
(Thousands of euros)

ASSETS	Notes	Year 2018	Year 2017 (*)
A) NON-CURRENT ASSETS		**813,269**	**1,112,159**
I. PROPERTY, PLANT AND EQUIPMENT	5	87,689	97,819
II. GOODWILL	6	408,848	498,115
III. INTANGIBLE ASSETS	7	111,244	115,465
IV. NON-CURRENT FINANCIAL ASSETS	11a	24,611	25,567
V. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD	8	43,077	37,247
VI. DEFERRED TAX ASSETS	17	135,363	335,234
VII. OTHER NON-CURRENT ASSETS		2,437	2,712
B) CURRENT ASSETS		**847,453**	**810,374**
I. INVENTORIES	9a	150,345	151,335
II. TRADE AND OTHER RECEIVABLES			
1. Trade receivables for sales and services	9b	370,021	410,384
2. Receivable from associates		3,902	3,445
3. Receivable from public authorities		37,903	34,893
4. Other receivables		25,289	25,010
5. Allowances	9b	(67,025)	(55,537)
		370,090	418,195
III. CURRENT FINANCIAL ASSETS	11a	24,936	23,340
IV. CASH AND CASH EQUIVALENTS	9c	295,093	217,504
V. ASSETS CLASSIFIED AS HELD FOR SALE		6,989	-
TOTAL ASSETS		**1,660,722**	**1,922,533**

EQUITY AND LIABILITIES	Notes	Year 2018	Year 2017 (*)
A) EQUITY	**10**	**(235,809)**	**(484,864)**
I. SHARE CAPITAL		524,902	83,498
II. OTHER RESERVES		(507,206)	(489,781)
III. ACCUMULATED PROFIT		(284,380)	(119,221)
- From prior years		(15,033)	(16,657)
- For the year: Profit attributable to the Parent		(269,347)	(102,564)
IV. TREASURY SHARES		(2,856)	(694)
V. EXCHANGE DIFFERENCES		(40,918)	(37,716)
VI. NON- CONTROLLING INTERESTS		74,649	79,050
B) NON-CURRENT LIABILITIES		**1,325,373**	**929,736**
I. NON-CURRENT BANK BORROWINGS	11b	1,149,661	703,481
II. NON-CURRENT FINANCIAL LIABILITIES	11b	125,703	120,147
III. DEFERRED TAX LIABILITIES	17	18,612	23,470
IV. LONG-TERM PROVISIONS	12	28,567	44,805
V. OTHER NON-CURRENT LIABILITIES	23	2,830	37,833
C) CURRENT LIABILITIES		**571,158**	**1,477,661**
I. TRADE PAYABLES	23	270,982	277,165
II. PAYABLE TO ASSOCIATES		2,151	1,380
III. OTHER NON-TRADE PAYABLES	9d	55,601	52,505
IV. CURRENT BANK BORROWINGS	11b	76,121	1,036,957
V. CURRENT FINANCIAL LIABILITIES	11b	58,643	22,653
VI. PAYABLE TO PUBLIC AUTHORITIES		61,811	51,040
VII. PROVISIONS FOR RETURNS		10,797	10,507
VIII. OTHER CURRENT LIABILITIES	9e	32,129	25,454
IX. LIABILITIES ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE		2,923	-
TOTAL EQUITY AND LIABILITIES		**1,660,722**	**1,922,533**

(*) The consolidated balance sheet for 2017 has been restated for comparative purposes and in accordance with IFRS 5 by not presenting the assets and liabilities of Grupo Media Capital as held for sale and has not been audited.

The accompanying Notes 1 to 26 and Appendix I and II are an integral part of the consolidated balance sheet at December 31, 2018.

PROMOTORA DE INFORMACIONES, S.A. AND SUBSIDIARIES
CONSOLIDATED INCOME STATEMENT FOR 2018
(Thousands of euros)

	Notas	Year 2018	Year 2017 (*)
Revenue		1,246,117	1,308,714
Other income		34,171	27,026
OPERATING INCOME	13-16	1,280,288	1,335,740
Cost of materials used		(181,642)	(197,804)
Staff costs	14	(383,413)	(402,514)
Depreciation and amortisation charge	5-7	(65,475)	(77,556)
Outside services	14	(462,204)	(486,832)
Change in allowances, write-downs and provisions	14	(20,651)	(18,121)
Impairment of goodwill	6	(78,981)	(86,754)
Other expenses		(2,595)	(13,517)
OPERATING EXPENSES		(1,194,961)	(1,283,098)
PROFIT FROM OPERATIONS		85,327	52,642
Finance income		6,306	5,623
Finance costs		(108,141)	(85,100)
Changes in value of financial instruments		22,814	-
Exchange differences (net)		(6,559)	10,326
FINANCIAL LOSS	15	(85,580)	(69,151)
Result of companies accounted for using the equity method	8	3,830	4,819
Loss from other investments		0	(1,163)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	16	3,577	(12,853)
Expense tax	17	(240,152)	(61,559)
LOSS FROM CONTINUING OPERATIONS		(236,575)	(74,412)
Profit/Loss after tax from discontinued operations		0	(984)
CONSOLIDATED LOSS FOR THE YEAR		(236,575)	(75,396)
Loss attributable to non-controlling interests	10i	(32,772)	(27,168)
LOSS ATTRIBUTABLE TO THE PARENT		(269,347)	(102,564)
BASIC EARNINGS PER SHARE (in euros)	19	(0.54)	(1.29)
BASIC EARNINGS PER SHARE (in euros)	19	(0.54)	(1.29)
- Basic earnings per share from continuing activities (in euros)	19	(0.54)	(1.28)
- Basic earnings per share from discontinuing activities (in euros)	19	0.00	(0.01)

(*) The consolidated income statement for 2017 has been restated for comparative purposes and in accordance with IFRS 5 to present the result of Media Capital as a continued operation and has not been audited.

The accompanying Notes 1 to 26 and Appendix I and II are an integral part of the consolidated income statement for 2018.

PROMOTORA DE INFORMACIONES, S.A. AND SUBSIDIARIES
CONSOLIDATE STATEMENT OF COMPREHENSIVE INCOME FOR 2018
(Thousands of euros)

PRISA

	Year 2018	Year 2017 (*)
CONSOLIDATED PROFIT FOR THE YEAR	**(236,575)**	**(75,396)**
Items that are not reclassified to result of the period	**(17,145)**	**-**
Rest of income and expenses that are not reclassified to result of the period	**(17,145)**	**-**
Items that may be reclassified subsequently to profit or loss	**(21,266)**	**(46,730)**
Translation differences	**(22,744)**	**(43,247)**
Other non-current financial assets at fair value	**(409)**	**(181)**
Profit/(Loss) for valuation	(409)	(181)
Amounts transferred to the profit and loss account	-	-
Tax effect	**102**	**45**
Entities accounted for using the equity method	**1,785**	**(3,347)**
TOTAL RECOGNIZED INCOME AND EXPENSE	**(274,986)**	**(122,126)**
Attributable to the Parent	(303,186)	(137,520)
Attributable to non-controlling interests	28,200	15,394

not presenting the assets and liabilities of Grupo Media Capital as held for sale and present the result of Media Capital as a continued operation and has not been audited.

The accompanying Notes 1 to 26 and Appendix I and II are an integral part of the consolidated statement of comprehensive income for 2018.

PROMOTORA DE INFORMACIONES, S.A. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR 2018
(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, 2016	**235,008**	**1,371,299**	**(2,003,697)**	**(72,661)**	**115,329**	**(1,735)**	**(809)**	**(67,859)**	**(425,125)**	**89,080**	**(336,045)**
Capital reductions (10a)	(161,372)		161,372								
Conversion of financial liabiities into equity (Note 10c)	9,862	95,052	(104,914)								
Treasury share transactions (Note 10g)											
- Delivery of treasury shares						366			366		366
- Purchase of treasury shares											
- Reserves for treasury shares			(675)			675					
Distribution of 2016 results											
- Reserves			(19,698)		(48,161)			67,859			
Transfers		(1,371,299)	1,455,731		(84,432)						
Income and expense recognised in equity											
- Translation differences (Note 10h)					2,087		(36,907)		(34,820)	(11,774)	(46,594)
- Result for 2017								(102,564)	(102,564)	27,168	(75,396)
- Measurement of financial instruments (Note 11a)			(136)						(136)		(136)
Other		(50)	(107)	2	(1,480)				(1,635)	1,587	(48)
Changes in non controlling interest (Note 10i)											
- Dividends paid during the year										(27,011)	(27,011)
Balance at December 31, 2017 (*)	**83,498**	**95,002**	**(512,124)**	**(72,659)**	**(16,657)**	**(694)**	**(37,716)**	**(102,564)**	**(563,914)**	**79,050**	**(484,864)**
Capital increase (Note 10a)	441,189	122,031							563,220		563,220
Conversion of equity instruments (Note 10a)	215	1,624	(1,770)						69		69
Treasury share transactions (Note 10f)											
- Delivery of treasury shares						95			95		95
- Purchase of treasury shares						(2,709)			(2,709)		(2,709)
- Reserves for treasury shares			(452)			452					
Distribution of 2017 results											
- Reserves			(131,598)		29,034			102,564			
Transfers											
Income and expense recognised in equity											
- Translation differences (Note 10g)					(13,185)		(3,202)		(16,387)	(4,572)	(20,959)
- Result for 2017								(269,347)	(269,347)	32,772	(236,575)
- Measurement of financial instruments (Note 11a)			(307)						(307)		(307)
- Rest of income and expense recognised in equity		(17,145)							(17,145)		(17,145)
Other			10,192		(14,225)				(4,033)	353	(3,680)
Changes in non controlling interest (Note 10i)											
- Dividends paid during the year										(30,702)	(30,702)
- Due to changes in scope of consolidation										(2,252)	(2,252)
Balance at December 31, 2018	**524,902**	**201,512**	**(636,059)**	**(72,659)**	**(15,033)**	**(2,856)**	**(40,918)**	**(269,347)**	**(310,458)**	**74,649**	**(235,809)**

(*) The consolidated statement of changes in equity for 2017 has been restated for comparative purposes and in accordance with IFRS 5 by not presenting the assets and liabilities of Grupo Media Capital as held for sale and present the result of Media Capital as a continued operation and has not been audited.

The accompanying Notes 1 to 26 and Appendix I and II are an integral part of the consolidated statement of changes in equity for 2018.

PROMOTORA DE INFORMACIONES, S.A. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOW FOR 2018
(Thousands of euros)

	Notas	Year 2018	Year 2017 (*)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	16	**3,577**	**(12,853)**
Depreciation and amortisation charge and provisions		167,641	195,541
Changes in working capital		**(13,934)**	**(73,362)**
Inventories	9a	991	17,344
Accounts receivable	9b	20,949	(13,510)
Accounts payable		(35,874)	(77,196)
Income tax recovered (paid)	17	(29,077)	(37,197)
Other profit adjustments		**64,530**	**60,167**
Financial results	15	85,580	69,151
Gains and losses on disposal of assets		(17,311)	(1,721)
Other adjustments		(3,739)	(7,263)
CASH FLOWS FROM OPERATING ACTIVITIES	16	**192,737**	**132,296**
Recurrent investments		**(68,584)**	**(67,429)**
Investments in intangible assets	7	(47,552)	(44,845)
Investments in property, plant and equipment	5	(21,032)	(22,584)
Investments in non-current financial assets		(6,198)	(21,256)
Proceeds from disposals		28,481	8,579
Investments in non-current financial assets		320	2,117
CASH FLOWS FROM INVESTING ACTIVITIES	16	**(45,981)**	**(77,989)**
Proceeds and payments relating to equity instruments		545,216	(50)
Proceeds relating to financial liability instruments	11b	708,233	20,889
Payments relating to financial liability instruments	11b	(1,222,621)	(25,340)
Dividends and returns on other equity instruments paid		(25,715)	(27,125)
Interest paid		(44,238)	(37,881)
Other cash flow from financing activities		(27,853)	(6,640)
CASH FLOWS FROM FINANCING ACTIVITIES	16	**(66,978)**	**(76,147)**
Effect of foreign exchange rate changes		**(2,189)**	**(7,079)**
CHANGE IN CASH FLOWS FROM CONTINUING OPERATIONS	16	**77,589**	**(28,919)**
CHANGE IN CASH FLOWS IN THE YEAR		**77,589**	**(28,919)**
Cash and cash equivalents at beginning of year	9c	**217,504**	**246,423**
- Cash		191,394	236,230
- Cash equivalents		26,110	10,193
Cash and cash equivalents at end of period	9c	**295,093**	**217,504**
- Cash		250,360	191,394
- Cash equivalents		44,733	26,110

(*) The consolidated statement of cash flow for 2017 has been restated for comparative purposes and in accordance with IFRS 5 to present the cash flow of Media Capital as a continued operation and has not been audited.

The accompanying Notes 1 to 26 and Appendix I and II are an integral part of the consolidated statement of cash flow for 2018.

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

Notes to the Consolidated Financial Statement for 2018 prepared in accordance with International Financial Reporting Standards as adopted by the European Union

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

PROMOTORA DE INFORMACIONES, S.A. (PRISA)

AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENT FOR 2018

(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 2017 were approved by the shareholders at the Annual General Meeting held on April 25, 2018 and are deposited in the Mercantile Register of Madrid.

The Group's consolidated financial statements for 2018 were authorized for issue by the Company's directors on March 12, 2019, 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

During 2016, 2017 and 2018, the Administrators of Prisa (the Company) took a number of measures to strengthen the Group's financial and asset structure, such as asset sale operations, capital increases and refinancing of its debt.

In this respect, 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 thousand being cancelled. In October 2017, these bonds were converted into shares early.

Likewise, the Company's General Shareholders' Meeting on November 15, 2017 agreed to an increase in share capital amounting to EUR 450,000 thousand. On January 22, 2018, this amount was subsequently extended by an additional EUR 113,220 thousand by the Prisa Board of Directors. In February 2018, the capital increase was subscribed by an amount of EUR 563,220 thousand (*see note 10a*).

On July 13, 2017, the Prisa Board of Directors accepted a binding offer put forward by Altice NV ("Altice") for the sale of Vertix SGPS, S. A. ("Vertix"), a company owned by Grupo Media Capital, SGPS, S.A. ("Media Capital"). The transaction was authorised in September 2017 by Prisa's financial creditors and in November of that year by the Annual General Meeting. The operation was subject to the mandatory authorisation of the Portuguese competition authorities. In the consolidated financial statements for 2017, Vertix y Media Capital were considered as assets classified as held for sale and Media Capital operations were classified as discontinued operations. On June 18, 2018, the contract for the sale of Media Capital signed between Prisa and Altice was terminated as a consequence of the failure to comply with the deadline agreed by both parties for the last of the conditions precedent pending compliance, concerning Altice obtaining the mandatory authorisation of the operation by the Portuguese Competition Authority. Following this decision, the Prisa Board of Directors agreed that it will be able to evaluate various alternatives for this asset in the future. The sale of the aforementioned asset is not considered to be highly probable at December 31, 2018. Therefore, from June 30, 2018, the assets and liabilities of Vertix and Media Capital Group are no longer reported as held for sale and Media Capital operations as discontinued operations. They have been consolidated as a continuing operation (*see note 2e*).

Finally, on January 22, 2018, the Company signed with all the financial creditors of the *Override Agreement* (agreement to refinance the Group's debt signed in December 2013) an agreement to refinance and modify the terms of Prisa's current financial debt (the Refinancing). On June 29, 2018, the Refinancing came into effect, once the agreements reached with all of its creditors were concluded. On this same date, and as one of the preconditions for the agreement to come into force, the Company cancelled a debt amounting EUR 480,000 thousand with the proceeds from the cash capital increase described above (EUR 450,000 thousand) and cash available from the Company (EUR 30,000 thousand). The basic terms of the Refinancing agreement include the extension of the debt maturity date to November and December 2022 and no redemption obligation until December 2020. With the entry into force of the Refinancing agreement, the Group's financial debt has become a long-term maturity which has led to an improvement in the working capital and the Group's financial structure (*see note 11b*).

As of December 31, 2018, 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 stood (including participating loans outstanding at year-end of EUR 62,491 thousand) at EUR 418,653 thousand, greater in EUR 68,718 thousand to the two thirds of the capital stock which is why it was in a situation of equity balance at that date. Likewise, on December 31, 2018, the Prisa Group's current assets exceeded current liabilities by EUR 276,295 thousand.

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 2018 and 2017.

In 2018, the following amendment to accounting standard came into force which, therefore, was taken into account when preparing the accompanying consolidated financial statements:

- IFRS 9. Financial instruments
- IFRS 15. Revenue from contracts with customers
- Clarifications to IFRS 15. Revenue from contracts with customers
- Amendments to IFRS 2: Classification and measurement of share based payment transactions.
- Amendments to IFRS 4. Allows the applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts or its temporary exemption.
- Amendments to IAS 40: Transfers of Investment Property.
- IFRIC Interpretation 22: Foreign Currency Transactions
- Improvements to IFRS Standards 2014-2016 Cycle: Minor amendments to a number of standards.

The Group has applied IFRS 15 *Revenue from contracts with customers* and IFRS 9 *Financial instruments* since January 1, 2018 without restating the comparative information.

The impacts of the application of each of them are the following:

<u>IFRS 15 Revenue from Contracts with Customers</u>

IFRS 15 *Revenue from contracts with customers* is the standard applicable when reporting revenue with customers, which has replaced 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.

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 Group has decided to apply IFRS 15 using the modified retrospective method, recognizing the cumulative effect of the initial application of this rule on January 1, 2018 for all contracts valid on this date, which implies that the comparative information of 2017 has not been restated and is reported under the current standards in this period (IAS 11, IAS 18 and their interpretations).

The impact of the IFRS 15 coming into force has entailed a decrease of EUR 4.4 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 consolidated income statement for 2018 applying IFRS 15 and the consolidated income statement corresponding to the same period applying the standards in force until 31 December 2017 are presented below for comparative purposes:

(thousand of euros)	**2018 applying IFRS 15**	**2018 without applying IFRS 15**
Operating income-	**1,280,288**	**1,267,057**
Revenue	1,246,117	1,232,886
Other income	34,171	34,171
Operating expenses-	**(1,194,961)**	**(1,181,410)**
Cost of materials used	(181,642)	(181,642)
Staff costs	(383,413)	(383,413)
Depreciation and amortisation charge	(65,475)	(65,276)
Outside services	(462,204)	(448,852)
Change in allowances, write-downs and provisions	(20,651)	(20,651)
Impairment of goodwill	(78,981)	(78,981)
Other expenses	(2,595)	(2,595)
Profit from operations	**85,327**	**85,647**
Financial loss	(85,580)	(85,580)
Result of companies accounted for using the equity method	3,830	3,830
Expense tax	(240,152)	(240,242)
Loss from continuing operations	**(236,575)**	**(236,345)**
Loss attributable to non-controlling interests	(32,772)	(32,772)
Loss attributable to the parent	**(269,347)**	**(269,117)**

The impact on the loss from continuing operations is explained by the modification of the recognition of income and expenses of the digital education systems of Santillana in the area of UNO Education and Compartir.

Likewise, from January 1, 2018, the income and expenses related to certain services related to advertising and multimedia services of the Media Capital Group have also been presented separately, to the extent that it has been concluded that it has control over the provision of such services, no longer assessing the credit risk that is applicable under IAS 18. The income and operating expenses recorded on the 2018 consolidated income statement is EUR 13,912 thousand, with no effect on the consolidated income of the year.

Adopting IFRS 15 had no impact on the cash flow statement.

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments has replaced IAS 39 Financial Instruments: recognition and assessment valid until 31 December 2017.

IFRS 9 was initially applied on January 1, 2018 and the Group decided not to restate the comparative information of 2017, which is reported under the standards in force during this period (IAS 39).

The new focus of asset classification is based on the contractual characteristics of the asset cash flows and the entity's business model. According to these, all assets are classified into three categories: (i) amortised cost, (ii) fair value with changes in other comprehensive income (equity) and (iii) fair value with changes in profits and losses. The entry into force of IFRS 9 has not brought any significant changes to the classification and assessment of the financial assets, in accordance with the following:

- The financial assets classified as loans, receivables and investments maintained until their expiration on 31 December 2017 maintain their subsequent assessment criteria in 2018, therefore they are classified as "financial investments at amortized cost", insofar as their flows continue to represent the principal payment plus interest.

- The financial assets classified as available for sale on 31 December 2017, and which mainly correspond to capital financial investments, maintain their assessment criteria and are classified in 2018 as "Financial investments at amortized cost", with exception of capital financial investments of listed company that are classified as "Financial investments at fair value with changes in other comprehensive income (equity)".

The Group has not designated any financial liability at fair value with changes on the income statement; there were no changes in the classification and measurement of the Groups' financial liabilities.

Adopting IFRS 9 mainly changes the accounting of credit losses of financial assets, moving from focusing on loss incurred under IAS 39 to focusing on expected loss. In this regard, the entry into force of 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 IFRS 15. In this respect, the Group has applied a simplified approach to recognise expected credit loss throughout the lifetime of such receivables. This entails setting up a provision for credit losses on revenue recognition, for which an NPL ratio has been determined per business and type of customer, applied to the amount of sale by customer type. The application of IFRS 9 caused a decrease in the item "*Net equity - Accumulated profit from previous* *financial years*" on January 1, 2018 of EUR 5.8 million. Likewise, on the same date the heading "*Trade receivables and other receivables - Provisions*" has increase from EUR 55.5 million to EUR 62.2 million.

The application of the rest of the amendments and interpretations applicable from January 1, 2018 did not have a significant impact on the Group's consolidated financial statements for this year.

At December 31, 2018, 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 16	Leases	January 1, 2019
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
Not yet approved for use in the EU		
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
Amendments to the conceptual framework of the IFRS	Review of the conceptual framework of the IFRS	January 1, 2020
Amendment to IFRS 3	Business combinations	January 1, 2020
Amendment to IAS 1 and IAS 8	Definition of materiality	January 1, 2020
IFRS 17	Insurance contracts	January 1, 2021

With respect to the application of IFRS 16 *"Leases"* the Group has applied this standard from January 1, 2019 without restating comparative information and applying the modified retrospective method. In the 2018 financial year, the Group carried out an assessment on the impact of this standard coming into force, based on the information currently available, which may be subject to changes due to additional information available in 2019, once the aforementioned standard have become effective.

IFRS 16 will replace IAS 17 and the current associated interpretations. The main change is that all leases (with some limited exceptions) will be recorded on the balance sheet with a similar impact to current financial leases (the asset will be amortised due to the right of use and a financial expense due to the amortised cost of the liability).

Management has assessed the effect of applying IFRS 16 to the Group's consolidated financial statements. Based on a review of the rent contracts, on the date of first application January 1, 2019, a financial liability will be recorded on this first application date in the amount of approximately EUR 232 million (with an offsetting entry for a material and intangible asset due to the right of use), generating an additional annual amortisation of approximately EUR 28 million, a financial expense of approximately EUR 13 million in 2019 and a decrease of the operational cost per rental recorded based on IAS 17, of approximately EUR 35 million.

There is no accounting principle or measurement bases having a significant effect on the consolidated financial statements that the Group has failed to apply.

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, 2018, 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 2018 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 2018 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 *(see note 4k)*.
- Provisions for unissued and outstanding invoices;
- The estimates made for the determination of future commitments (*see note 23).*
- The recoverability of deferred tax assets *(see note 17).*

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

In 2018, there were no significant changes in the accounting estimates made at the end of 2017, except those referring to determining goodwill and the recoverability of deferred tax assets, as described in notes 6 and 17, respectively.

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.

Venezuela

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 and 2018 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"). 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 and 2018 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 (1,698,488% of January - December 2018 and 2,874.1% of January - December 2017).

In this way, the exchange rate used as at December 31, 2018 when translating the financial statements of the Venezuelan subsidiary, resulting from the methodology described above, amounts to 6,000 sovereigns bolivars per euro (1 bolivar soberano =100.000 bolivars) (20,653 bolivars per euro at December 31, 2017).

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)".

Argentina

From the third quarter of 2018, the economy of Argentina is considered hyperinflationary. The main reason for this, among others, is that from July 1, 2018, the accumulated inflation of the last three years in Argentina exceeds 100%. The functional currency is the Argentine peso. This means:

- Updating all the non-monetary assets and liabilities on 31 December 2018 with the effect of accumulated inflation and the income statement for 2018 with the effect of the inflation of the current financial year. The inflation rates from January to December 2018 and from January to December 2017 were 47.74% and 26.10%, respectively.

- Converting the balance sheet and the income statement of the Argentine subsidiaries to the exchange rate on December 31, 2018, which was 43.17 EUR/Argentine peso.

Prior to the consideration of Argentina as a hyperinflationary economy, the financial statements of this country's subsidiaries were developed using the historical cost method.

The impact on the consolidated income statement for 2018 was a decrease in the operating income and of the operating profit, of EUR 7.3 million and EUR 4.0 million, respectively. The item "*Financial expenses*" also includes EUR 5.4 million of adjustments for inflation due to Argentina being considered a hyperinflationary economy.

The consolidated balance sheet and the consolidated income statement for 2017 have not been modified to include Argentina as a hyperinflationary economy.

Non- monetary headings of the balance sheet are 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 (Venezuela and Argentina) (positive impact of EUR 4.1 million, which EUR 3.5 million come from Argentina) and the translation differences associated with them (negative impact of EUR 15.1 million, of which EUR 13.7 million come from Argentina) have been registered under "*Equity- Accumulated profit for prior years*" on the accompanying consolidated balance sheet.

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), 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 Vertix, 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"*) and the assets and liabilities of the items "*Non-current assets held for sale*" *and* "*Liabilities associated with a non-current asset held for sale*", respectively.

On June 18, 2018, the contract for the sale of Media Capital signed between Prisa and Altice was terminated *(see note 1b)* and the Prisa Board of Directors agreed that it will be able to evaluate various alternatives for this asset in the future. The sale of the aforementioned asset is not considered to be highly probable at December 31, 2018. Therefore, since June 30, 2018, the assets and liabilities of Vertix and Media Capital Group are no longer reported as held for sale and Media Capital operations as discontinued operations. They have been consolidated as a continuing operation.

In accordance with IFRS 5 and for the purpose of comparison, the consolidated income statement and the consolidated cash flow statement for the 2017 financial year have been modified to present Media Capital as a continued operation.

The Group did not restate the consolidated balance sheet of December 2017 in the consolidated summarised financial statements of June 2018. However, for improved comparability and understanding of the information, the Company decided to restate the consolidated balance sheet of 2017 in December 2018, no longer showing the assets and liabilities of Vertix and Media Capital as held for sale.

The consolidated balance sheet of December 2017, the income statement, the statement of comprehensive income, the statement of changes in equity, the statement of cash flow consolidated of year 2017, all of them modified according to the above, have not been audited.

On June 30, 2018, the non-current asset of Media Capital was assessed at its recoverable value, determined as the higher of either the value in use, or the net selling price, obtained from the assets associated with the cash-generating unit, without this having a significant impact on the restated consolidated income statement of 2017.

Likewise, information by segments has been modified to introduce the Media Capital segment both in fiscal year 2017 and in fiscal year 2018 *(see note 16).*

Consolidated balance sheet-

The reconciliation of the consolidated balance sheet published in the consolidated financial statements of 2017 with the consolidated balance sheet, modified for comparative purposes, in the current consolidated financial statements is shown below:

	Year 2017	Media Capital effect	Year 2017 restated
Non-current assets-	**756,693**	**355,466**	**1,112,159**
Property, plant and equipment	82,653	15,166	97,819
Goodwill	167,556	330,559	498,115
Intangible assets	110,802	4,663	115,465
Non-current financial assets	25,561	6	25,567
Investments accounted for using equity method	37,247	0	37,247
Deferred tax assets	332,846	2,388	335,234
Other non-current assets	28	2,684	2,712
Current assets-	**1,166,386**	**(356,012)**	**810,374**
Inventories	70,145	81,190	151,335
Trade and other receivables	381,520	36,675	418,195
Current financial assets	23,340	0	23,340
Cash and cash equivalents	217,209	295	217,504
Assets classified as held for sale	474,172	(474,172)	0
Total assets	**1,923,079**	**(546)**	**1,922,533**
Equity-	**(485,911)**	**1,047**	**(484,864)**
Share capital	83,498	0	83,498
Other reserves	(489,781)	0	(489,781)
Accumulated profit	(119,572)	351	(119,221)
- From prior years	(16,657)	0	(16,657)
- For the year: Profit attributable to the Parent	(102,915)	351	(102,564)
Treasury share	(694)	0	(694)
Exchange diferences	(37,894)	178	(37,716)
Non-controlling interests	78,532	518	79,050
Non-current liabilities-	**863,136**	**66,600**	**929,736**
Non-current bank borrowings	642,248	61,233	703,481
Non-current financial liabilities	120,147	0	120,147
Deferred tax liabilities	23,901	(431)	23,470
Long-term provisions	39,007	5,798	44,805
Other non-current liabilities	37,833	0	37,833
Current liabilities-	**1,545,854**	**(68,193)**	**1,477,661**
Trade payables	247,232	31,313	278,545
Other non-trade payables	42,600	9,905	52,505
Current bank borrowings	1,002,633	34,324	1,036,957
Current financial liabilities	22,630	23	22,653
Payable to public authorities	39,785	11,255	51,040
Provisions for returns	10,507	0	10,507
Other current liabilities	21,391	4,063	25,454
Liabilities associated with assets classified as held for sale	159,076	(159,076)	0
Total liabilities	**1,923,079**	**(546)**	**1,922,533**

Consolidated income statement-

The reconciliation of the consolidated income statement published in the consolidated financial statements of 2017 with the consolidated income statement, modified for comparative purposes, in the current consolidated financial statements is shown below:

	Year 2017	Media Capital effect	Year 2017 restated
Revenue	1,144,831	163,883	1,308,714
Other income	25,874	1,152	27,026
OPERATING INCOME	1,170,705	165,035	1,335,740
Cost of materials used	(177,077)	(20,727)	(197,804)
Staff costs	(361,325)	(41,189)	(402,514)
Depreciation and amortisation charge	(69,653)	(7,903)	(77,556)
Outside services	(424,917)	(61,915)	(486,832)
Change in allowances, write-downs and provisions	(17,911)	(210)	(18,121)
Impairment of goodwill	(618)	(86,136)	(86,754)
Other expenses	(13,459)	(58)	(13,517)
OPERATING EXPENSES	(1,064,960)	(218,138)	(1,283,098)
PROFIT FROM OPERATIONS	105,745	(53,103)	52,642
Finance income	5,529	94	5,623
Finance costs	(81,016)	(4,084)	(85,100)
Exchange differences (net)	10,818	(492)	10,326
FINANCIAL LOSS	(64,669)	(4,482)	(69,151)
Result of companies accounted for using the equity method	4,819	0	4,819
Loss from other investments	(1,163)	0	(1,163)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	44,732	(57,585)	(12,853)
Expense tax	(51,977)	(9,582)	(61,559)
LOSS FROM CONTINUING OPERATIONS	(7,245)	(67,167)	(74,412)
Profit/Loss afther tax from discontinued operations	(68,502)	67,518	(984)
CONSOLIDATED LOSS FOR THE YEAR	(75,747)	351	(75,396)
Loss attributable to non-controlling interests	(27,168)	0	(27,168)
LOSS ATTRIBUTABLE TO THE PARENT	(102,915)	351	(102,564)

Consolidated statement of cash flow-

The reconciliation of the consolidated cash flow statement published in the consolidated financial statements of 2017 with the consolidated cash flow statement, modified for comparative purposes, in the current consolidated financial statements is shown below:

	Year 2017	Media Capital effect	Year 2017 restated
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	**44,732**	**(57,585)**	**(12,853)**
Depreciation and amortisation charge and provisions	101,233	94,308	195,541
Changes in working capital	**(68,235)**	**(5,127)**	**(73,362)**
Inventories	15,444	1,900	17,344
Accounts receivable	(17,905)	4,395	(13,510)
Accounts payable	(65,774)	(11,422)	(77,196)
Income tax recovered (paid)	(27,483)	(9,714)	(37,197)
Other profit adjustments	**55,098**	**5,069**	**60,167**
Financial results	64,669	4,482	69,151
Gains and losses on disposal of assets	(1,721)	-	(1,721)
Other adjustments	(7,850)	587	(7,263)
CASH FLOWS FROM OPERATING ACTIVITIES	**105,345**	**26,951**	**132,296**
Recurrent investments	**(63,390)**	**(4,039)**	**(67,429)**
Investments in intangible assets	(44,550)	(295)	(44,845)
Investments in property, plant and equipment	(18,840)	(3,744)	(22,584)
		-	-
Investments in non-current financial assets	(21,256)	-	(21,256)
Proceeds from disposals	8,563	16	8,579
Investments in non-current financial assets	2,117	-	2,117
CASH FLOWS FROM INVESTING ACTIVITIES	**(73,966)**	**(4,023)**	**(77,989)**
Proceeds and payments relating to equity instruments	(50)	-	(50)
Proceeds relating to financial liability instruments	20,889	-	20,889
Payments relating to financial liability instruments	(21,632)	(3,708)	(25,340)
Dividends and returns on other equity instruments paid	(26,184)	(941)	(27,125)
Interest paid	(34,305)	(3,576)	(37,881)
Other cash flow from financing activities	(6,640)	-	(6,640)
CASH FLOWS FROM FINANCING ACTIVITIES	**(67,922)**	**(8,225)**	**(76,147)**
Effect of foreign exchange rate changes	**(7,079)**	**-**	**(7,079)**
CHANGE IN CASH FLOWS FROM CONTINUING OPERATIONS	**(43,622)**	**14,703**	**(28,919)**
Cash flows from operating activities from discontinued operations	26,951	(26,951)	-
Cash flows from investing activities from discontinued operations	(4,318)	4,318	-
Cash flows from financing activities from discontinued operations	(8,225)	8,225	-
CHANGE IN CASH FLOWS FROM DISCONTINUED OPERATIONS	**14,408**	**(14,408)**	**-**
CHANGE IN CASH FLOWS IN THE YEAR	**(29,214)**	**295**	**(28,919)**

(3) CHANGES IN THE GROUP STRUCTURE

The most significant changes in the scope of consolidation in 2018 were as follows:

Subsidiaries

In February 2018, the liquidation of Infotecnia 11824, S.L., a company in which Prisa Tecnología, S.L. holds an interest of 60%, took place.

In March 2018, Prisa Activos Educativos, S.L.U. was created, which is fully owned by Promotora de Informaciones, S.A.

Also in March the liquidation of Prisa Radio Perú, S.A.C., a company that is 99.99% owned by Sociedad Española de Radiodifusión, S.L. took place.

Additionally in March, Eresmas Interactiva Inc and Latam Digital Ventures, LLC merge with Prisa Digital Inc., a company that is renamed to Prisa Brand Solutions USA, Inc.

In April, the liquidation of Collserola Audiovisual, S.L., a company 99.95% owned by Promotora de Emisoras de Televisión, S.A., took place and Prisa Eventos, S.L. merges with Prisa Noticias, S.L.

Without affecting the Group's consolidation scope, in May 2018 Prisa Participadas, S.L. was partially split, giving rise to Prisa Activos Radiofónicos, S.L. (a company that is fully owned by Promotora de Informaciones, S.A.), which now holds the representative shares of 74.49% of Prisa Radio, S.A. In addition, there was a split in the printing business, Prisaprint, S.L., the shares of which are subsequently contributed to Prisa Noticias, S.L. Also in May, Promotora de Informaciones, S.A. contributed to Prisa Participadas, S.L., through a non-monetary contribution, its 100% interest in Prisa Gestión de Servicios, S.L., Prisa Brand Solutions, S.L.U., Prisa Audiovisual, S.L.U. and Promotora de Emisoras, S.L.

These business operations are aimed at achieving an organisational structure in which the different business areas - i.e. Education, Radio, Press and Media Capital- are managed through legally separate business units, keeping the rest of the shares considered non-strategic separate, making it possible to optimise the organisational structure of the businesses and the Group's organisation chart.

On June 29, 2018, and in the context of the process of refinancing the Group's debt (*see notes 1b and 11b*), Prisa Activos Educativos, S.L.U. acquired 75% of the share capital of Grupo Santillana Educación Global, S.L. (Santillana), of which Prisa Participadas, S.L. was the holder This acquisition has been financed through the assumption by Prisa Activos Educativos, S.L.U. of financial debt of Prisa with the new conditions agreed in the mentioned Refinancing, related to terms, costs and guarantees.

This purchase has been made in accordance with the general rules for transactions between companies of the same group contained in the General Accounting Plan in relation to the valuation of the operation, which has meant assessing it at fair value, based on the valuation report of the participation issued by an independent expert. Once the sale of Santillana was recorded, Prisa Participadas distributed to Prisa a dividend on account of the result of the 2018 financial year amounting to EUR 570 million.

The purpose of this operation is to take advantage of Santillana's financial capacity to service the debt with the cash flows generated by its business and complete the restructuring and reorganisation of the Group's businesses described above.

The sale of Santillana described above has had no impact on either Prisa consolidated net equity or the consolidated income statement.

In July 2018, Gestión de Marcas Audiovisuales, S.A. merges with Sociedad Española de Radiodifusión, S.L. and Prisa Música, S.A. with Gran Vía Musical de Ediciones, S.L.

Also in July 2018 GLR Southern California, LLC., W3 Comm Inmobiliaria, S.A. de C.V. and W3 Comm Concesionaria, S.A. de C.V. (associated company) were sold.

In November 2018 the liquidation of Santillana Usa Publishing Company, Inc. took place.

In December 2018, the merger by absorption of Prisa Audiovisual, S.L.U. Prisa División Internacional, S.L., Prisa Inn, S.A., Promotora de Emisoras, S.L.U. and Promotora de Emisoras de Televisión, S.A. with Prisa Participadas, S.L. was produced.

Also, in December 2018, Prisaprint, S.L. sold Bidasoa Press, S.L.

Additionally, in December 2018, Inevery DPS, S.L.U. merges with Ítaca, S.L. and Educa Inventia, Inc merges with Ediciones Santillana, Inc.

Associates

In November 2018, Prisa Noticias, S.L. sells the 25% stake it owned in Betmedia Solutions, S.L.

Also, in November 2018, Sociedad Española de Radiodifusión, S.L. sold its stake of 50% in GLR Costa Rica, S.A.

In December 2018, Prisa Radio, S.A. sells 60% of its share in Planet Events, S.A. meaning it owns 40%, which means the company is consolidated by the equity method.

Also, in December 2018, Plural Entertainment Canarias, S.L.U. sold its stake in Nuntium TV, S.L.

(4) ACCOUNTING POLICIES

The principal accounting policies used in preparing the accompanying consolidated financial statements for 2018 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	3 – 15

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 includes 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.

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) Losses due to impairment of non-financial assets

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 2018 the rates used ranged from 6.9% to 17.7% 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

Financial assets are classified in three categories: (i) amortized cost, (ii) fair value with changes in other comprehensive income (equity) and (iii) fair value with changes in profit and loss, belonging to almost all financial assets from the Group to the category of amortized cost.

Non-current financial assets at amortized cost-

This heading 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, meaning that the Group intends to keep them to obtain the contractual cash flows. These assets are valued 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.

- *Other assets at amortized cost:* financial assets with fixed or determinable payments and established maturities for which the Group has the intention and ability to hold to maturity to obtain the contractual cash flows.

Financial assets at fair value with changes in other comprehensive income (equity) -

- This category mainly includes the 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 (as described below in impairment of financial assets), at which time the cumulative results previously recognized in equity is included in the income statement.

  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.

I*mpairment of financial assets*

On the date of initial recognition of financial assets, the expected loss is recognised that results from a "default" event during the next 12 months or while the contract remains in force, depending on the evolution of the credit risk of the financial asset from its initial recognition on the balance sheet or by applying the "simplified" models allowed by the standards for some financial assets. The Group applied the simplified focus to recognise the expected credit loss during the period in which the receivables are in force that result from transactions under IFRS 15. In this way, the Group creates an allowance for a provision for credit losses on revenue recognition, for which an NPL ratio has been determined per business and type of customer, applied to the amount of sales by customer type.

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-

This category includes debits for commercial operations and debits for non-commercial operations. These external resources are classified as current liabilities, unless the Company has an unconditional right to defer their liquidation for at least 12 months after the balance sheet date. Debits for commercial operations that have an expiration of no more than one year and that do not have a contractual interest rate, both initially and subsequently, for their nominal value when the effect of not updating the cash flows is not significant.

The financial debt is initially recognised by its fair value, also recording the costs incurred obtaining it. The amortised cost is recorded in subsequent periods, i.e. for the amount at which it was measured in its initial recognition, deducting the repayments from the principal, plus any difference between the initial amount and the amount upon expiry, using the effective interest method.

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.

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 12)* at their negative excluding the financial effect given the nature of the investments.

i) Inventories

Inventories of raw materials and supplies and inventories of commercial products or finished goods purchased from third parties are measured at the lower of their average acquisition cost and market value.

Work in progress and finished goods produced in-house are measured at the lower of average production cost and market value. Production cost includes the cost of materials used, labor and in-house and third-party direct and indirect manufacturing expenses.

In the heading of inventories include the "*Audiovisual Rights*", which relate mainly to allowances of movies, series and other television programs acquired from third parties, as well as, the cost incurred in the program production, which are valued at cost of acquisition or production and are charged to results in accordance with expectations of income generation thereof.

The Group also recognises expenditure for the cost of inventories the broadcasting rights of which have expired or the recovery value of which is considerably lower than the acquisition cost.

Obsolete, defective or slow-moving inventories are reduced to their realizable value.

The Group assesses the net realizable value of the inventories at the period end and recognizes the appropriate write-down if the inventories are overstated. When the circumstances that previously caused inventories to be written down no longer exist or when there is clear evidence of an increase in net realizable value because of changed economic circumstances, the amount of the write-down is reversed.

j) Long-term provisions

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

Provisions for taxes-

The provisions for taxes relate to the estimated amount of the tax debts whose exact amount or date of payment has not yet been determined, since they depend on the fulfilment of certain conditions.

Provisions for indemnities and third-party liability-

"*Provisions for third-party liability*" also includes the estimated amount required to cover probable claims arising from obligations assumed by the companies in the course of their commercial operations, and probable or certain liabilities arising from litigation in progress, compensation to workers who are estimated terminate their labor relations or other outstanding obligations of undetermined amount, as in the case of collateral and other similar guarantees provided by the Group.

k) Recognition of income and expenses

Revenue is recognised when control of the goods and services is transferred to the client for the amount at which the Group estimates that the goods and services will be traded. Revenue and expenses are recognized on an accrual basis, regardless of when the resulting monetary or financial flow arises.

To calculate revenue, in accordance with IFRS 15, the contract or contracts, as well as the different obligations included in goods and service provision contracts must be identified, the transaction price must be determined and distributed among the cited contractual obligations, based on their respective independent sales prices or an estimation thereof and the revenue is recognised inasmuch as the entity complies with each of its obligations.

The standard coming into force mainly affects recognition of revenue from Santillana's digital teaching systems in the areas of Educación UNO and Compartir.

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. The average payment period is around 90 days.

- *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. The collection period is variable and is established in the different sales contracts. The provision for sales returns is calculated using historical return percentages.

- *Revenue from digital teaching systems:* the revenue from the goods and services provided is recognised once control thereof is transferred to the client, in accordance with the criteria described below:

    - Printed teaching material and digital content: revenue is reported when ownership is transferred to the school or student.
    - Equipment made available to schools and other services: the respective revenue will be recognised during the school year.

  The price and value of revenue from these goods and services is determined by analysing margins and independent sale prices of the goods that have separate marketing. This means that a higher sales price is assigned for equipment and other services provided, to the detriment of printed teaching material and digital content, compared to how it was treated until 2017. These revenues are collected in two different ways, either the total at the start of the school year or by means of payments throughout the year.

- *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 collection for the sale of newspapers and magazines occurs in the month in which the sales are made.

- The *revenue* and the costs associated with *audiovisual production* agreements are recognized in the income statement as control of the sold content (episodes ready to be shown by the buyer) is transferred at the moment of delivery, with there being no other significant performance obligations to be completed from this moment onwards. 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. The collection period is established in the agreed contracts.

- *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.

The Group does not adjust the considerations received due to the impact of significant financing components, as the period between the moment at which the goods and services are transferred to the client and the moment at which the client pays for the good or service is less than one year in nearly all of the contracts.

The commissions given to employees for obtaining contracts are recognised as expenses in the financial year instead of as a fixed amortisation asset because the amortisation period of this asset would be less than one year.

l) Offsetting

Assets and liabilities are offset and the net amount presented in the consolidated balance sheet when, and only when, they arise from transactions in which the Group has a contractual or legally enforceable right to set off the recognized amounts and its intends to settle them on a net basis, or to realize the asset and settle the liability simultaneously.

m) Tax matters

The expense or income due to tax on the year's earnings, is calculated by adding the current tax expense and the deferred tax expense. The current tax expense is determined by applying the applicable tax rate to the taxable income, and deducting from that result the amount of allowances and deductions generated and applied during the year, determining the payment obligation to the Public Administration.

The assets and liabilities due to deferred taxes, arise from temporary differences defined as the amounts expected to be payable or recoverable in the future which result from the difference between the book value of assets and liabilities and their tax base, as well as non-deductible expenses that acquire deductibility at a later time. These amounts are recorded applying the tax rate at which they are expected to be recovered or settled to the temporary difference.

Deferred tax assets also arise as a result of carry forward losses and credits due to tax deductions generated and not applied and non-deductible financial expenses.

The corresponding liability due to deferred taxes is recognised for all taxable temporary differences, unless the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that at the time of its completion, affects neither the accounting nor the tax profit/loss.

Meanwhile, deferred tax assets, identified using deductible temporary differences, are only recognised if it is deemed likely that the consolidated companies will have sufficient future taxable profits against which to use them and they do not arise from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects the tax profit/loss or the accounting profit/loss. The remaining deferred tax assets (losses and carry forward deductions) are only recognised if it is deemed likely that the consolidated companies will have sufficient future taxable profits against which to use them.

At each accounting period end, recorded deferred taxes (assets and liabilities) are reviewed in order to check whether they are still applicable, making the appropriate adjustments, in accordance with the results of the analyses performed and the applicable tax rate at all times.

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 (date of measurement). 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

2018-

The changes in 2018 in *"Property, plant and equipment"* in the consolidated balance sheet were as follows:

	Thousands of euros							
	Balance at 12/31/2017	Monetary adjustment	Translation adjustment	Changes in scope of consolidation	Additions	Disposals	Transfers	Balance at 12/31/2018
Cost:								
Land and buildings	80,986	2,548	(2,736)	(8,146)	649	(9,443)	(1,647)	62,211
Plant and machinery	347,106	4,502	(2,902)	(18,071)	4,834	(94,719)	(2,949)	237,801
Other items of property, plant and equipment	118,709	5,336	(6,429)	(1,050)	1,453	(12,207)	(731)	116,081
Advances and equipment in the course	379	-	(63)	-	3,096	(10)	(1,377)	2,025
Total cost	**547,180**	**12,386**	**(12,130)**	**(27,267)**	**21,032**	**(116,379)**	**(6,704)**	**418,118**
Accumulated depreciation:								
Buildings	(26,814)	(1,178)	750	1,120	(1,477)	1,571	594	(25,434)
Plant and machinery	(296,545)	(4,207)	2,323	10,214	(8,770)	84,438	3,875	(208,672)
Other items of property, plant and equipment	(91,810)	(4,043)	4,566	1,658	(13,512)	11,325	736	(91,080)
Total accumulated depreciation	**(415,169)**	**(9,428)**	**7,639**	**12,992**	**(23,759)**	**97,334**	**5,205**	**(325,186)**
Impairment losses:								
Buildings	(15,074)	-	-	4,605	(360)	6,771	-	(4,058)
Plant and machinery	(18,574)	-	-	7,851	(450)	10,252	-	(921)
Other items of property, plant and equipment	(544)	-	26	68	116	70	-	(264)
Total impairment losses	**(34,192)**	**-**	**26**	**12,524**	**(694)**	**17,093**	**-**	**(5,243)**
Net property, plant and equipment	**97,819**	**2,958**	**(4,465)**	**(1,751)**	**(3,421)**	**(1,952)**	**(1,499)**	**87,689**

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)	-	779	(3,344)	(100)	80,986
Plant and machinery	359,296	590	(4,049)	(350)	4,280	(14,003)	1,342	347,106
Other items of property, plant and equipment	127,631	1,175	(10,483)	(154)	15,985	(15,572)	127	118,709
Advances and equipment in the course	433	-	18	-	1,540	(15)	(1,597)	379
Total cost	**574,159**	**2,882**	**(18,779)**	**(504)**	**22,584**	**(32,934)**	**(228)**	**547,180**
Accumulated depreciation:								
Buildings	(27,354)	(470)	1,243	-	(1,811)	1,440	138	(26,814)
Plant and machinery	(298,473)	(513)	3,020	339	(12,422)	11,896	(392)	(296,545)
Other items of property, plant and equipment	(98,527)	(826)	6,814	110	(15,257)	16,041	(165)	(91,810)
Total accumulated depreciation	**(424,354)**	**(1,809)**	**11,077**	**449**	**(29,490)**	**29,377**	**(419)**	**(415,169)**
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)**	**(15,687)**	**(1,594)**	**(647)**	**97,819**

Monetary adjustment and translation adjustment-

The column *"Monetary adjustment"* includes the effect of hyperinflation in Venezuela and Argentina in 2018 (Venezuela in 2017). Furthermore, the column *"Translation adjustment"* includes the impact of exchange rates variation in Latin America, highlighting the contribution in 2018 of Brazil, Colombia, Chile, Argentina and Venezuela (Brazil, Colombia and Venezuela in 2017).

Changes in scope of consolidation-

The column *"Changes in scope of consolidation"* mainly includes property, plant and equipment of Bidasoa Press, S.L., company sold in December 2018 *(see note 3)*.

Additions-

The most significant additions in 2018 were as follows:

- *"Plant and machinery,"* in the amount of EUR 4,834 thousand (EUR 4,280 thousand in 2017), mainly due to investments made by Grupo Media Capital, SGPS, S.A. in postproduction system.

- *"Other items of property, plant and equipment,"* in the amount of EUR 12,453 thousand (EUR 15,985 thousand in 2017), mainly due to the acquisition of technological equipment in Santillana for use in the classroom by students and teachers integrated into teaching systems.

Disposals-

In 2018, fully depreciated "*plant and machinery*" had derecognized mainly in the companies of dedicated to printing, within the Press business unit. *"Other items of property, plant and equipment"* mainly included derecognition of fully depreciated assets linked to digital developments and Santillana's learning systems.

In 2017, fully depreciated "*plant and machinery*" had 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 included derecognition of fully depreciated assets linked to digital developments and Santillana's learning systems.

Transfers-

The transfer column mainly includes the property, plant and equipment of the Radio companies located in Argentina and USA, which have been transferred to heading *"Non-current assets held for sale"* because these companies are in a sale process.

Impairment losses-

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

The property, plant and equipment amortization expense recorded in 2018 totaled EUR 23,759 thousand (EUR 29,490 thousand in 2017).

There are no restrictions on holding title to the property, plant, and equipment other than those indicated in note 11b.

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

At December 31, 2018, the Prisa Group´s assets included fully amortized property, plant, and equipment amounting to EUR 233,607 thousand (December 31, 2017: EUR 276,730 thousand).

Non-current assets held under leases-

At December 31, 2018, the consolidated balance sheet included assets held under finance leases amounting to EUR 10,643 thousand (December 31, 2017: EUR 10,208 thousand).

The breakdown of the carrying amounts of non-current assets held under finance leases by nature of the leased asset at December 31, 2018 and at December 31, 2017 is as follows (in thousands of euros) is as follows:

	12/31/2018			12/31/2017		
	Cost	Accumulated depreciation	Carrying amount	Cost	Accumulated depreciation	Carrying amount
Plant and machinery	2,032	(377)	1,655	1,018	(149)	869
Educational digital equipment	26,377	(17,485)	8,892	28,902	(19,673)	9,229
Other items of property, plant and equipment	272	(176)	96	269	(159)	110
Total	**28,681**	**(18,038)**	**10,643**	**30,189**	**(19,981)**	**10,208**

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 2018 is as follows (in thousands of euros):

			Nominal value of outstanding payments			
	Value of purchase option	Amount of payments made in the year	**Total**	Less than 1 year	Between 1 and 5 years	More than 5 years
Plant and machinery	41	247	**1,511**	496	1,015	-
Educational digital equipment	-	9,497	**9,947**	5,633	4,314	-
Other items of property, plant and equipment	-	19	**95**	19	76	-
Total	**41**	**9,763**	**11,553**	**6,148**	**5,405**	**-**

As of December 31, 2017, the detail is as follows, in thousands of euros:

			Nominal value of outstanding payments			
	Value of purchase option	Amount of payments made in the year	**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**	**-**

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, 2018 and at December 31, 2017, the insurance policies taken out sufficiently covered the related risks.

6) GOODWILL

2018-

The detail of the goodwill relating to fully and proportionately consolidated Group companies and of the changes therein in 2018 is as follows:

	Thousands of euros			
	Balance at 12/31/2017	Translation adjustment	Impairment	Balance at 12/31/2018
Editora Moderna, Ltda.	55,693	(6,127)	-	49,566
Grupo Latino de Radiodifusión Chile, Ltda.	55,594	(4,217)	-	51,377
Grupo Media Capital, SGPS, S.A.	330,559	-	(76,099)	254,460
Propulsora Montañesa, S.A.	8,608	-	-	8,608
Sociedad Española de Radiodifusión, S.L.	35,585	-	-	35,585
Other companies	12,076	58	(2,882)	9,252
Total	**498,115**	**(10,286)**	**(78,981)**	**408,848**

The detail, by business segment, of the goodwill relating to fully consolidated Group companies and of the changes therein in 2018 is as follows:

	Thousands of euros			
	Balance at 12/31/2017	Translation adjustment	Impairment	Balance at 12/31/2018
Radio	106,625	(4,217)	-	102,408
Education	57,475	(6,153)	-	51,322
Media Capital	330,559	-	(76,099)	254,460
Other	3,456	84	(2,882)	658
Total	**498,115**	**(10,286)**	**(78,981)**	**408,848**

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 12/31/2016	Translation adjustment	Changes in scope of consolidation	Impairment	Balance at 12/31/2017
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	-	-	(86,136)	330,559
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**	**(86,754)**	**498,115**

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 12/31/2016	Translation adjustment	Changes in scope of consolidation	Impairment	Balance at 12/31/2017
Radio	109,258	(2,633)	-	-	106,625
Education	65,894	(8,676)	257	-	57,475
Media Capital	416,695	-	-	(86,136)	330,559
Other	1,274	(82)	2,882	(618)	3,456
Total	**593,121**	**(11,391)**	**3.139**	**(86,754)**	**498,115**

In turn, the change in scope of segment *"Others"* was 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.

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 (Media Capital, 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%, as in 2017. The expected growth rate that has been used in the most relevant impairment tests (Media Capital, Editora Moderna, Ltda. and Grupo Latino de Radiodifusión Chile, Ltda.) is located between 0% and 1.5% in 2018 and in 2017.

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 2018 the rates used ranged from 6.9% to 17.7% (6.5% and 15.7% in 2017) depending on the business being analysed. The rate that has been used for the most relevant impairment tests (Media Capital, Editora Moderna, Ltda. and Grupo Latino de Radiodifusión Chile, Ltda.) is between 9% and 13% (9% and 12% in 2017).

Media Capital-

Advertising revenues represent the main source of revenues of Media Capital. Therefore, the main variables used by management to determine the value in use of Media Capital were as follows:

Evolution of the advertising share- management predicts a maintaining in the advertising share in the future projections of TVI, Media Capital's free-to- air TV channel.

Variations in the advertising market – management has adjusted its projections for the advertising market to the current and new macroeconomic environment in Portugal, according to internal estimates. In this respect, the long-term growth prospects of free-access television advertising investment are expected to decrease as a result of the uncertainty that has arisen with respect to the development of this sector in Europe, especially since the second quarter of 2018.

Results of the impairment tests-

- Media Capital

The Media Capital impairment is the result of increasing the applicable discount rate, and decreasing the long term growth rate, of the company, due to developments that have taken place in 2018, especially in the second half of the year. Among them we see increased Portugal country risk due to rising geopolitical uncertainty in Europe, and increased market volatility and lower long term growth prospects in the free-to-air television industry in Europe, all of which have negatively impacted the valuation of comparable companies. Taking these adjustments into account in our impairment test, an impairment of EUR 76,099 thousand was recorded in the attached consolidated income statement in 2018.

After the impairment recorded, the book value of Media Capital is similar to the value in use, so that an adverse variation in the individual hypotheses considered as used in the valuation could imply the recognition of impairment in the future.

In 2017 an impairment of EUR 86,136 thousand was recorded in the attached consolidated income statement, as a result of the decrease in the long term growth rate of Media Capital, mainly due to the negative evolution of the advertising market in that year.

- Latam Digital Ventures

The performance of Latam Digital Ventures, LLC in 2018, as well as the projections available to the Directors, reveal the non-recoverability of goodwill, therefore it was completely impaired for the amount of EUR 2,882 thousand.

In accordance with the estimates and projections available to the Company's Directors, the expected future cash flows allocable to the rest of the cash-generating units to which goodwill is allocated indicate that the net value of each goodwill allocated as of 31 December 2018 may be recovered.

Sensitivity to changes in key assumptions-

- Media Capital

  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, there would be an impairment of goodwill of approximately EUR 19.8 million. In the event that the expected growth rate from the fifth year was reduced by 0.5%, would suppose an impairment of goodwill of approximately EUR 14.1 million. Finally, a decrease of 1% in the growth of the advertising market in Portugal would suppose an impairment of goodwill of approximately EUR 34.4 million.

- 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 EUR 50.6 million. 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 EUR 52 million.

- 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 similar than the book value. 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 EUR 1.3 million.

7) INTANGIBLE ASSETS

2018-

The changes in 2018 in *"Intangible assets"* in the consolidated balance sheet were as follows:

	Thousands of euros							
	Balance at 12/31/2017	Monetary adjustment	Translation adjustment	Changes in scope of consolidation	Additions	Disposals	Transfers	Balance at 12/31/2018
Cost:								
Computer software	136,689	10,320	(10,836)	(28)	11,585	(4,649)	33	143,114
Prototypes	210,138	35,787	(36,529)	-	34,171	(40,796)	-	202,771
Advances on copyrights	7,659	32	(224)	-	1,170	(730)	(303)	7,604
Audiovisual rights	5,527	-	(4)	-	-	-	533	6,056
Other intangible assets	93,725	2,943	(5,199)	(19,702)	626	(3,109)	(127)	69,157
Total cost	**453,738**	**49,082**	**(52,792)**	**(19,730)**	**47,552**	**(49,284)**	**136**	**428,702**
Accumulated amortization:								
Computer software	(107,337)	(10,173)	10,428	26	(10,886)	4,414	525	(113,003)
Prototypes	(155,442)	(35,132)	33,220	-	(28,150)	38,297	156	(147,051)
Advances on copyrights	(5,444)	-	119	-	(366)	177	349	(5,165)
Audiovisual rights	(5,527)	-	4	-	(533)	-	-	(6,056)
Other intangible assets	(40,709)	(2,938)	4,203	408	(1,781)	2,230	(23)	(38,610)
Total accumulated amortization	**(314,459)**	**(48,243)**	**47,974**	**434**	**(41,716)**	**45,118**	**1,007**	**(309,885)**
Impairment losses:								
Computer software	(4,454)	-	(1)	-	(101)	150	(246)	(4,652)
Prototypes	(1,446)	7	77	-	(597)	712	(129)	(1,376)
Advances on copyrights	(669)	(5)	41	-	(70)	50	(1)	(654)
Other intangible assets	(17,245)	-	1	15,824	(1,071)	1,574	26	(891)
Total impairment losses	**(23,814)**	**2**	**118**	**15,824**	**(1,839)**	**2,486**	**(350)**	**(7,573)**
Net intangible assets	**115,465**	**841**	**(4,700)**	**(3,472)**	**3,997**	**(1,680)**	**793**	**111,244**

2017-

The changes in 2017 in *"Intangible assets"* 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:								
Computer software	146,196	473	(2,858)	(60)	10,164	(20,059)	2,833	136,689
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	-	(61)	-	-	-	-	5,527
Other intangible assets	100,126	145	(5,341)	9	768	(44)	(1,938)	93,725
Total cost	**491,383**	**1,923**	**(29,490)**	**(51)**	**44,845**	**(54,846)**	**(26)**	**453,738**
Accumulated amortization:								
Computer software	(114,604)	(471)	2,214	51	(11,795)	18,903	(1,635)	(107,337)
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)	-	61	-	(1,399)	-	-	(5,527)
Other intangible assets	(40,880)	(145)	1,297	(6)	(2,026)	29	1,022	(40,709)
Total accumulated amortization	**(335,894)**	**(1,902)**	**19,481**	**45**	**(48,066)**	**51,678**	**199**	**(314,459)**
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)**	**(7,809)**	**(421)**	**732**	**115,465**

Monetary adjustment and translation adjustment-

The column *"Monetary adjustment"* includes the effect of hyperinflation in Argentina y Venezuela in 2018 (Venezuela in 2017). Furthermore, the column *"Translation adjustment"* includes the impact of exchange rates variation in Latin America, highlighting the contribution in 2018 of Brazil, Chile, Argentina and Venezuela (Brazil, USA and Venezuela in 2017).

Changes in scope of consolidation-

The column *"Changes in scope of consolidation"* mainly includes intangible assets of GLR Southern California, LLC. and W3 Comm Inmobiliaria, S.A. de C.V., companies sold in July 2018 *(see note 3)*.

Additions-

The most significant additions in 2018 were as follows:

- *"Prototypes,"* amounting to EUR 34,171 thousand (EUR 32,829 thousand in 2017), relating to new prototypes for the publication of books at Grupo Santillana, mainly in Brazil and in Spain.

- *"Computer software,"* amounting to EUR 11,585 thousand (EUR 10,164 thousand in 2017), relating to the computer software acquired and/or developed by third parties for Group companies, mainly in Santillana, Prisa Noticias and Radio in Spain.

Disposals-

Grupo Santillana derecognized, in 2018, EUR 37,860 thousand of fully depreciated prototypes (December 31, 2017: EUR 32,726 thousand).

Additionally, in 2018, the different business segments derecognized fully depreciated computer software.

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

The intangible asset amortization expense recorded in 2018 totaled EUR 41,716 thousand (EUR 48,066 thousand in 2017).

"Other intangible assets" includes administrative concessions amounting to EUR 43,075 thousand (December 31, 2017: EUR 45,423 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, 2018, the Prisa Group's assets included fully amortized intangible assets amounting to EUR 212,618 thousand (December 31, 2017: EUR 204,385 thousand).

There are no restrictions on holding title to the intangible assets other than those indicated in *note 11b.*

There are no future relevant intangible asset purchase commitments other than those indicated in *note 23.*

8) INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

2018-

The changes in 2018 in *"Investments accounted for using the equity method"* in the consolidated balance sheet were as follows:

	Thousands of euros						
	Balance at 12/31/2017	Translation adjustment	Changes in scope of consolidation	Share of results / Impairment losses	Transfers	Disposals/ Dividens	Balance at 12/31/2018
Investments accounted for using the equity method:							
Sistema Radiópolis, S.A. de C.V.	34,243	1,714	-	5,044	-	(300)	40,701
Other companies	3,004	(181)	(692)	(1,214)	1,567	(108)	2,376
Total	**37,247**	**1,533**	**(692)**	**3,830**	**1,567**	**(408)**	**43,077**

During 2018, 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 5,044 thousand and to the exchange rate effect.

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/ Dividens	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, was 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.

At December 31, 2018 and at December 31, 2017, the Group had ownership interests in companies accounted for using the equity method, the net negative value of which is recognized under *"Long-term provisions" (see note 12).*

9) CURRENT ASSETS AND LIABILITIES

a) Inventories

The detail of *"Inventories,"* in thousands of euros, at December 31, 2018 and at December 31, 2017, is as follows:

	12/31/2018			12/31/2017		
	Cost	Write-downs	**Carrying amount**	Cost	Write-downs	**Carrying amount**
Finished goods	164,928	(27,531)	**137,397**	174,756	(33,316)	**141,440**
Work in progress	374	-	**374**	740	-	**740**
Raw materials and other supplies	14,539	(1,965)	**12,574**	11,614	(2,459)	**9,155**
Total	**179,841**	**(29,496)**	**150,345**	**187,110**	**(35,775)**	**151,335**

At December 31, 2018, *"Finished goods"* includes publications amounting to a net EUR 57,702 thousand (2017: EUR 59,155 thousand) and audiovisual rights for a net amount of EUR 79,282 thousand (EUR 81,190 thousand).*"Raw materials and other supplies"* includes mainly paper.

b) Trade and other receivables

The detail of the changes in 2018 and 2017 in *"Trade and other receivables- Allowances"* is as follows:

Balance at 12/31/2017	Translation adjustment	Changes in scope of consolidation	Charge for the year/Excess	Amounts used	Transfers	Balance at 12/31/2018
55,537	(1,991)	(1,336)	18,982	(3,289)	(878)	67,025

Balance at 12/31/2016	Translation adjustment	Changes in scope of consolidation	Charge for the year/ Excess	Amounts used	Transfers	Balance at 12/31/2017
56,719	(2,776)	(48)	4,403	(2,909)	148	55,537

The impact of IFRS 9 in 2018 entails an allowance for a provision for credit losses on revenue recognition, for which an NPL ratio has been determined per business and type of customer, applied to the amount of sale by customer type. The impact of applying IFRS 9 has lead to an increase in the item "*Trade receivables and other receivables- Provisions*" of EUR 6.7 million on January 1, 2018, included in the "*Allowances/Excesses*" column. The rest of the allowance amount corresponds to the recognition of the expected credit loss throughout the lifetime of trade receivables at December 31, 2018.

The most significant heading included in *"Trade and other receivables"* is *"Trade receivables for sale and services"* amounting to EUR 308,962 thousand, net of allowance at December 31, 2018 (EUR 359,745 at December 31, 2017). The details of the aging of this amount is as follows:

	Thousands of euros	
	Balance at 12/31/2018	Balance at 12/31/2017
0-3 months	277,188	328,020
3-6 months	13,439	15,729
6 months - 1 year	15,703	13,998
1 year- 3 years	2,144	1,237
More than 3 years	488	761
Total	**308,962**	**359,745**

c) Cash and cash equivalents

The balance of the heading "*Cash and cash equivalents*" in the accompanying consolidated balance sheet to December 31, 2018 amounts to EUR 295,093 thousand (EUR 217,504 thousand at December 31, 2017). This amount included EUR 97,808 thousand from the capital increase of February 2018 *(see note 10a)*, EUR 35,658 thousand from the capital increase subscribed by International Media Group, S.á.r.l. in December 2015 and approximately EUR 74,000 thousand belong to companies of Radio and Education segments located in Latin America.

In 2017, 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.

d) Other non-trade payables

The heading *"Other non-trade payables"* of the accompanying consolidated balance sheet at December 31, 2018 amounts to EUR 55,601 thousand (EUR 52,505 thousand at December 31, 2017) and mainly include remuneration payable.

e) Other current liabilities

The heading *"Other current liabilities"* of the accompanying consolidated balance sheet at December 31, 2018 amounts to EUR 32,129 thousand (EUR 25,454 thousand at December 31, 2017) and includes accrual adjustments generated by unfulfilled obligations, mainly generated in the Educational and Radio segments.

The detail of the changes in 2018 in accrual adjustments is as follows:

Thousands of euros						
Balance at 12/31/2017	Translation adjustment	Changes in scope of consolidation	Additions/ Disposals	Amounts used	Transfers	Balance at 12/31/2018
25,454	(39)	(27)	132,804	(125,995)	(68)	32,129

As of December 31, 2018, the execution obligations pending to be paid amounted to 32,129 thousand euros, which will mainly be paid and transferred to the consolidated income statement during the year 2019 and correspond, mainly, to recorded collections or invoices issued in 2018 income will accrue throughout the following year, as the performance obligations associated with the contracts are executed.

10) EQUITY

a) Share capital

On January 1, 2018, the share capital of Prisa amounted to EUR 83,498 thousands and was represented by 88,827,363 ordinary shares with a nominal value of EUR 0.94 each.

During 2018 the following operations have been carried out and have modified the share capital of Prisa:

i. In February 2018, a capital increase was carried out, with preferential subscription rights, amounting to EUR 441,189 thousands, through the issuance and subscription of 469,350,139 new ordinary shares of the Company, EUR 0.94 of nominal value each, of the same class and series as the rest of the outstanding shares. The issuance rate of the shares was EUR 1.20 (EUR 0.94 of nominal value and with an issue premium of EUR 0.26 each).

   The total effective amount of the capital increase, considering the nominal value of the shares (EUR 441,189 thousands) and the issue premium (EUR 122,031 thousands) has amounted to EUR 563,220 thousands.

ii. In relation to the *Warrants* 2013 issued pursuant to the resolutions passed at the General Shareholders 'Meeting of the Company held on December 10, 2013 (the "General Shareholders' Meeting"):

   - In September 2018, 2,683,063 Warrants 2013 were exercised, which resulted in the subscription of 140,524 newly issued ordinary shares each with a nominal value of EUR 0.94 each. The amount of the corresponding capital increase was EUR 132 thousands.

   - In December 2018, 1,696,832 Warrants 2013 were exercised, which resulted in the subscription of 88,870 newly issued ordinary shares with a face value of EUR 0.94 each. The amount of the corresponding capital increase was EUR 83 thousands.

As a result, as of December 31, 2018, share capital of Prisa amounts to EUR 524,902 thousands and is represented by 558,406,896 ordinary shares, all belonging to the same class and series, with a nominal value of EUR 0.94 each, fully subscribed and with identical rights.

Share capital is fully subscribed and paid up.

Extinction of the *Warrants 2013*:

In accordance with the resolutions of the "General Shareholders' Meeting", in December 2018 the term of 5 years for the exercise of the Warrants 2013 has expired. As a result, all the 2013

Warrants pending of exercise as of such date have been extinguished, that supposes a reversal of the reserve constituted for that purpose to voluntary reserves.

On December 31, 2018, 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.

Shareholder's Name	Number of Direct Voting Rights	Number of Indirect Voting Rights	Total % of Voting Rights (1)
AMBER CAPITAL UK LLP (2)	-	150,868,964	27.02%
HSBC HOLDINGS PLC	-	55,891,070	10.01%
TELEFONICA, S.A.	52,708,767	-	9.44%
RUCANDIO, S.A.	-	46,328,108	8.30%
ADAR CAPITAL PARTNERSE LTD (3)	-	40,703,256	7.29%
INTERNATIONAL MEDIA GROUP, S.A.R.L (4)	36,997,487	-	6.63%
GHO NETWORKS, S.A. DE CV	-	28,011,547	5.02%
CARLOS FERNANDEZ GONZALEZ (5)	-	22,474,798	4.02%

The aforementioned indirect shareholding is held as follows:

Indirect Shareholder's Name	Direct Shareholder's Name	Number of Direct Voting Rights	Total % of Voting Rights
AMBER CAPITAL UK LLP	AMBER ACTIVE INVERSTORS LIMITED	69,765,512	12.49%
AMBER CAPITAL UK LLP	AMBER GLOBAL OPPORTUNITIES LIMITED	17,458,271	3.13%
AMBER CAPITAL UK LLP	OVIEDO HOLDINGS, S.A.R.L	63,645,181	11.40%
HSBC HOLDINGS PLC	HSBC BANK PLC	55,891,070	10.01%
RUCANDIO, S.A.	RUCANDIO INVERSIONES, SICAV, S.A.	71,246	0.01%
RUCANDIO, S.A.	PROMOTORA DE PUBLICACIONES, S.L.	125,949	0.02%
RUCANDIO, S.A.	AHERLOW INVERSIONES, S.L.	46,130,913	8.26%
ADAR CAPITAL PARTNERSE LTD	ADAR MACRO FUND LTD	40,703,256	7.29%
GHO NETWORKS, S.A. DE CV	CONSORCIO TRANSPORTISTA OCCHER, S.A. DE CV	28,011,547	5.02%
CARLOS FERNANDEZ GONZALEZ	FCAPITAL LUX S.A.R.L.	22,474,798	4.02%

(1) The percentages of voting rights have been calculated on the total voting rights in Prisa at December 31, 2018 (i.e. 558,406,896 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, through Amber Capital UK LLP, 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) Adar Macro Fund Ltd. is a company controlled and managed by Adar Capital Partners Ltd., a management company that exercises the voting rights of the shares held by Adar Macro Fund Ltd. in a discretionary manner. Adar Capital Partners Ltd is a company wholly owned by Welwel Investments Ltd. which, in turn, is a company wholly owned by Zev Marynberg. Adar Macro Fund has also notified the CNMV that it is the holder of financial instruments (SWAP) that would allow it to acquire 390,000 voting rights of the Company (that represents a 0.07% of the share capital), if they were exercised or exchanged.

(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) Mr Carlos Fernández González controls the majority of the capital and voting rights of Grupo Far-Luca, S.A. de C.V., the owner of 99% of Grupo Finaccess, S.A.P.I. de C.V., which in turn owns 99.99% of the capital and voting rights of Finaccess Capital, S.A. of C.V. The latter holds the majority of the voting rights of FCapital Dutch, B.V., which is in turn the holder of 100% of the capital and voting rights of FCapital Lux S.à.r.l.

Finally it is noted that, in addition to the voting rights that are reflected in the above tables, it is noted that, according to the website of the CNMV, at February 2017 Banco Santander, S.A. was directly owner of 1,074,432 voting rights and indirectly of 2,172,434 voting rights of Prisa, 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.

Also, some companies whose dominant entity is Santander, S.A. subscribed in 2017, 1,001,260 shares, 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.

However, that being said, Banco Santander has not updated with CNMV its shareholder position taking into account Prisa's new share capital.

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 main entries in 2018 are as follows:

- In February 2018 the share premium increased by EUR 122,031 thousand as a result of the aforementioned capital increase.

- The share premium also increased by EUR 1,624 thousand as a result of the aforementioned warrant conversions.

As a consequence of these entries and at their associated costs with a value of EUR 17,145 thousand, the value of the share premium on December 31, 2018 is EUR 201,512 thousand, and is entirely available (EUR 95,002 thousand as of December 31, 2017).

c) Reserves of parent company

Legal reserve-

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

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

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

The balance of this account at December 31, 2018 amounts to EUR 7,050 thousand (EUR 7,050 thousand at December 31, 2017).

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 equity 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, 2018 amounts to EUR 2,856 thousand (EUR 694 thousand at December 31, 2017).

Bylaw-stipulated reserves-

Under Article 32 of the Company's bylaws, effective until April 25, 2018, at least 10% of the profit after tax had to 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 obligation to provide this reserve was deleted from the rewritten text of the Company's bylaws approved by the Ordinary General Shareholders' Meeting held on April 25, 2018 and effective as of that date.
At the Extraordinary Shareholders' Meeting held on November 15, 2017, the entire "bylaw-stipulated 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 that were carried out in 2017, leaving this reserve at that time at EUR 0. The balance of this account is maintained if the distribution of results for the year 2018 has not been approved at the date of preparation of these financial statements.

d) 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.

e) 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.

f) Treasury shares

The changes in *"Treasury shares"* in 2018 and 2017 were as follows:

	2018		2017	
	Number of shares	Amount (Thousands of euros)	Number of shares	Amount (Thousands of euros)
At beginning of year	**270,725**	**694**	**330,407**	**1,735**
Deliveries	(18,672)	(95)	(59,682)	(366)
Purchases	1,370,839	2,709	-	-
Reserve for treasury shares	-	(452)	-	(675)
At end of year	**1,622,892**	**2,856**	**270,725**	**694**

At December 31, 2018, Promotora de Informaciones, S.A. held a total of 1,622,892 treasury shares, representing 0.291% of its share capital.

Treasury shares are valued at market price at December 31, 2018 (1.76 euros per share).

The total amount of the treasury shares amounts to EUR 2,856 thousand.

Deliveries of shares are detailed in note 14 of this Consolidated Annual Report.

At December 31, 2018, the Company did not hold any shares on loan.

g) Exchange differences

Exchange loss at December 31, 2018, amounted to EUR 40,918 thousand (December 31, 2017: exchange loss of EUR 37,716 thousand). In 2018, the most significant exchange differences are generated in Colombia, Brazil, Mexico, Chile and USA by the evolution of exchange rates.

The detail, by business segment, of the exchange differences is as follows (in thousands of euros):

	12/31/2018	12/31/2017
Radio	(17,371)	(15,354)
Education	(23,491)	(23,091)
Press	19	712
Media Capital	(194)	(39)
Other	118	56
Total	**(40,918)**	**(37,716)**

h) Translation differences in accumulated profit from prior years

The detail, by company, of the translation differences in 2018 and 2017 is as follows:

	Thousands of euros	
	12/31/2018	12/31/2017
Grupo Santillana Educación Global, S.L. and subsidiaries	(9,673)	4,247
Sistema Radiópolis, S.A. de C.V.	1,542	(2,678)
Corporación Argentina de Radiodifusión, S.A.	(3,265)	1,028
LS4Radio Continental, S.A.	(1,272)	3,077
Other	(517)	518
Total	**(13,185)**	**2,087**

i) 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 2018 and 2017 were as follows:

	Thousands of euros						
	Balance at 12/31/2017	Translation adjustment	Participation in results	Changes in scope of consolidation	Dividends paid/ received	Other	Balance at 12/31/2018
Caracol, S.A.	12,161	(469)	2,694	-	(5,713)	(373)	8,300
Diario As, S.L.	11,789	-	1,066	-	(687)	(223)	11,945
GLR Chile, Ltda.	16,425	(1,253)	870	-	(807)	(34)	15,201
Grupo Santillana Educación Global, S.L. and subsidiaries	7,899	(3,403)	22,668	-	(22,581)	(1,162)	3,421
Grupo Media Capital, SGPS, S.A. and subsidiaries	8,028	(9)	1,146	-	(935)	(91)	8,139
Prisa Radio, S.A. and subsidiaries (Spain)	16,628	-	3,951	-	1,578	(1,361)	20,796
Other companies	6,120	562	377	(2,252)	(1,557)	3,597	6,847
Total	**79,050**	**(4,572)**	**32,772**	**(2,252)**	**(30,702)**	**353**	**74,649**

	Thousands of euros						
	Balance at 12/31/2016	Translation adjustment	Participation in results	Changes in scope of consolidation	Dividends paid/ received	Other	Balance at 12/31/2017
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)	-	8,028
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)**	**1,389**	**79,050**

j) 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.

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.

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.

Also, the General Meeting of Prisa Shareholders' held on November 15, 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 subscribed and paid out in an amount of EUR 563,220 thousand *(see notes 10a).*

Lastly, on June 29, 2018, the agreement reached with all the financial creditors of the *Override Agreement (*agreement to refinance the Group's debt signed in December 2013), to refinance and modify the terms of Prisa's current financial debt, came into effect. This agreement enables the maturity schedule of bank debt to be adapted to the cash generation profile of the Group's businesses, allowing the maturity of the 2018 and 2019 debt to be extended to 2022, with there being no repayment obligations until December 2020. Moreover, and as one of the prerequisites for the agreement coming into force, the Company paid EUR 480 million of debt with funds from the aforementioned capital increase and with the cash available to the Company (*see note 11b*).

11) NON- CURRENT FINANCIAL ASSETS AND FINANCIAL LIABILITIES

a) Financial investments

The breakdown by category of financial investments of the Group at December 31, 2018 and 2017 is as follows:

2018 –

	Thousands of euros			
	Financial assets at fair value with changes in other comprehensive income	Non-current financial assets at amortized cost		
		Loans and receivables	Other financial assets at amortized cost	**Total**
Equity instruments	577	-	-	577
Other financial assets	-	13,554	10,480	24,034
Non-current financial investments	**577**	**13,554**	**10,480**	**24,611**
Equity instruments	-	-	-	-
Other financial assets	-	4,284	20,652	24,936
Current financial investments	**-**	**4,284**	**20,652**	**24,936**
Total	**577**	**17,838**	**31,132**	**49,547**

The increase in the current financial investments is mainly due to the increase in loans to affiliated companies due to changes in the scope and method of consolidation *(see Note 3)*, as well as receivables from the sale of Bidasoa Press, S.L. and from the assets of Santillana USA Publishing Co. Inc.

2017 -

	Thousands of euros			
	Financial assets at fair value with changes in other comprehensive income	Non-current financial assets at amortized cost		
		Loans and receivables	Other financial assets at amortized cost	**Total**
Equity instruments	986	-	-	986
Other financial assets	-	10,937	13,644	24,581
Non-current financial investments	**986**	**10,937**	**13,022**	**25,567**
Equity instruments	-	-	2,335	2,335
Other financial assets	-	2,690	18,315	21,005
Current financial investments	**-**	**2,690**	**20,650**	**23,340**
Total	**986**	**13,627**	**34,294**	**48,907**

The change in the section *"Current financial investments- Loans and receivables"* in 2017 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.

Non-current financial assets

The changes in *"Non-current financial assets"* in the consolidated balance sheet in 2018 by type of transaction were as follows:

	Thousands of euros					
	Balance at 12/31/2017	Translation / monetary adjustment	Changes in scope of consolidation	Additions / allowance	Disposals / Transfers	Balance at 12/31/2018
Non-current financial assets at amortized cost	**24,581**	**(77)**	**(693)**	**4,193**	**(3,970)**	**24,034**
Loans and receivables	*10,937*	*16*	*(693)*	*3,509*	*(215)*	*13,554*
-Loans to associates	35,479	352	(693)	953	(897)	35,194
-Long-term loans to third parties	5,272	160	-	3,284	(215)	8,501
-Allowance	(29,814)	(496)	-	(728)	897	(30,141)
Other financial assets at amortized cost	*13,644*	*(93)*	-	*684*	*(3,755)*	*1,.480*
- Non-controlling equity interests	5,921	(1)	-	-	(4)	5,916
- Other financial assets at amortized cost	13,023	(92)	-	684	(3,755)	9,860
- Allowance	(5,300)	-	-	-	4	(5,296)
Financial assets at fair value with changes in other comprehensive income	**986**	**-**	**-**	**-**	**(409)**	**577**
Other non-current financial assets at fair value	*986*	-	-	-	*(409)*	*577*
Total	**25,567**	**(77)**	**(693)**	**4,193**	**(4,379)**	**24,611**

The variation in the item "*Loans and receivables*" is mainly due to the long-term receivables from the sale of the radio companies in the USA by GLR Services, Inc. *(see Note 3).*

The decrease in the item "*Other financial assets at amortised cost*" is a result of the decrease in finances associated with the institutional sale of Chile.

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
Non-current financial assets at amortized cost	**32,725**	**(2,630)**	**(7)**	**(4,178)**	**(1,329)**	**24,581**
Loans and receivables	*1,060*	*(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)
Other financial assets at amortized cost	*15,665*	*(1,073)*	*(7)*	*664*	*(1,605)*	*13,644*
-Non-controlling equity interests	9,026	(4)	(7)	310	(3,404)	5,921
-Other financial assets at amortized cost	12,849	(1,072)	-	1,517	(271)	13,023
-Allowance	(6,210)	3	-	(1,163)	2,070	(5,300)
Financial assets at fair value with changes in other comprehensive income	**1,167**	**-**	**-**	**-**	**(181)**	**986**
Other non-current financial assets at fair value	*1,167*	-	-	-	*(181)*	*986*
Total	**33,892**	**(2,630)**	**(7)**	**(4,178)**	**(1,510)**	**25,567**

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 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, 2018 and 2017 is as follows:

	Thousands of euros	
	2018	2017
Bank borrowings	1,149,661	703,481
Other financial liabilities	125,703	120,147
Non-current financial liabilities	**1,275,364**	**823,628**
Bank borrowings	76,121	1,036,957
Other financial liabilities	58,643	22,653
Current financial liabilities	**134,764**	**1,059,610**
Total	**1,410,128**	**1,883,238**

Bank borrowings

The detail, in thousands of euros, of the bank borrowings at December 31, 2018, 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)	November 2022	956,512	-	956,512
Syndicated loan Prisa (Tranches 3)	December 2022	161,080	-	161,080
Credit facilities	2019	156,094	17,515	-
Loans	2019-2024	105,035	45,364	49,671
Finance leases, interest and other	2019-2022	18,530	13,305	5,226
Loan arrangement costs	2019-2022	-	(63)	-
Fair value in financial instruments	2019-2022	-	-	(22,828)
Total		**1,397,251**	**76,121**	**1,149,661**

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	70,618	26,644	-
Loans	2018 - 2023	124,014	50,374	73,640
Finance leases, interest and other	2018 - 2021	-	11,383	6,968
Loan arrangement costs	2018 - 2019	-	(7,956)	(9,520)
Total		**1,783,537**	**1,036,957**	**703,481**

The changes in bank borrowings in 2018 and 2017 were as follows:

	2018	2017
Bank borrowings at beginning of year	**1,740,438**	**1,722,023**
Amortization / debt disposition (*)	(514,388)	(4,414)
Accrual / Cancellation of loan arrangement costs	17,275	12,559
Fair value in financial instruments	(22,828)	-
Capitalizable fixed cost (PIK)	7,852	15,654
Effect of foreign exchange rate changes in debt	(2,432)	(4,305)
Others	(135)	(1,079)
Bank borrowings at end of year	**1,225,782**	**1,740,438**

(*)Movement that generates cash flow

Of the total bank borrowings at December 31, 2018, 98.45% were denominated in euros (97.54% at December 31, 2017) and the remainder in foreign currencies.

The average interest rates on the Group's bank borrowings were 3.68% in 2018 and 3.00% in 2017.

Of the total bank borrowings at December 31, 2018, 98.01% were linked to floating interest rates and the rest to fixed ones (62.13% to floating interest at December 31, 2017).

In accordance with IFRS 13, to determine the theoretical calculation of the fair value of the financial debt at December 31, 2018 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 1,047,026 thousand at December 31, 2018 considering a 6.36% average discount over the real principal payment obligation to the creditor entities.

Syndicated loan (Tranche 3) and PPL-

During the first half of 2018, the Company transferred EUR 183,928 thousand of Profit Participating Loans (PPL) to Tranche 3 of the Group's financial debt. Likewise, the capitalisable cost interest (PIK) of the Profit Participating Loans (PPL) and Tranche 3 at June 30, 2018 was EUR 4,526 and EUR 4,161 thousand, respectively.

Refinancing-

On January 22, 2018, the Company signed with all the financial creditors of the *Override Agreement* (agreement to refinance the Group's debt signed in December 2013) an agreement to refinance and modify the terms of Prisa's in forced financial debt. On June 29, 2018, the refinancing agreement (the Refinancing) came into effect, once the agreements reached with all of its creditors were concluded.

The Refinancing agreement was a first repayment of EUR 480,000 thousand made on June 29, 2018, which were intended to amortise debt.

Therefore, as part of the refinancing of its financial debt, Prisa agreed to the renewal of its syndicated loan amounting to EUR 1,117,592 thousand (once the previous repayment was made), which is structured in two sections with the following characteristics:

- The amount of the debt of Tranche 2 is set at EUR 956,512 thousand and the maturity of which is extended to November 2022.
- The amount of the debt of Tranche 3 is set at EUR 161,080 thousand and with a maturity that is extended to December 2022.
- The cost of the debt of Tranches 2 and 3 is referenced to the Euribor plus a negotiated margin, equal for both tranches.

- The payment schedule establishes two partial and obligatory debt repayments on December 31, 2020 and 2021 for EUR 15 and 25 million respectively, as well as additional partial amortisations in 2021 and 2022 conditioned on the cash generation of the Prisa Group.
- The financial creditors have agreed that Tranche 2 is preferred over Tranche 3.
- The partial modification of the package of debt guarantees.

The Company's Refinancing agreement contemplates the mechanism of automatic conversion of Tranche 3 debt to Tranche 2 as the aforementioned Tranche 2 is reduced by forced or voluntary amortization debt. On June 30, 2018 the Profit Participating Loans (PPL) conversed to Tranche 2 and 3.

Likewise, the Refinancing agreement has involved a restructuring of the debt, which has included a new borrower, Prisa Activos Educativos, S.L.U., which has assumed nominal debt of Prisa for an amount of EUR 685 million, within the framework of a reorganisation of the Prisa Group (*see note 3*), which, among other aspects, allows part of the debt to be allocated in the Education business unit, the main cash generating unit of the Group, in order to meet the payments associated with the debt. The rest of the amount of the debt remains recorded in Prisa.

Compliance with certain financial ratios is established in the financial agreements for the Prisa Group, which have been complied with since the Refinancing came into force. These contracts also include provisions on cross-default, which could cause, if the breach exceeds certain amounts, the early maturity and resolution of the contract in question, including the Override Agreement. Since the Refinancing came into force no such breaches have occurred.

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 Company carried out an analysis of the conditions agreed upon in the framework of the refinancing carried out, concluding that they constituted a substantial modification of the previous conditions, for which reason the original financial liability cancelled and a new liability derived from the refinancing recognised. The initial recognition of the financial liability made at fair value of the debt. A financial income amounting to EUR 25,546 thousand recognised in "*Fair value of financial instruments*" in the accompanying consolidated income statement, for the difference between the nominal value of the debt and its fair value at the date it was initially recorded. To determine the fair value a credit risk arising from a report provided by an independent expert regarding the transactions made in the secondary debt market used (level 2 variables, estimates based on other observable market methods). The fair value of the Refinancing debt, according to this calculation, amount to EUR 1,092,046 thousand at June 30, 2018. All of the expenses and commissions corresponding to the financial indebtedness have been recognised in "*Financial expenses*" of the accompanying consolidated income statement.

Other aspects of debt-

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

Personal guarantees

Tranches 2 and 3 of Prisa's debt, which correspond to the debt refinanced in June 2018, are jointly and severally guaranteed by Prisa and the companies Diario El País, S.L., Distribuciones Aliadas, S.A.U., Grupo de Medios Impresos y Digitales, S.L.U., Norprensa, S.A.U., Prisa Activos Educativos, S.L.U., Prisa Activos Radiófonicos, S.L.U., Prisa Noticias, S.L.U., Prisaprint, S.L.U and Prisa Gestión Financiera, S.L.U.

In addition, Vertix, SGPS, S.A.U. guarantees Tranches 2 and 3 limited to a maximum amount of EUR 600,000 thousand.

Guarantees

As a consequence of the Refinancing of June 2018, Prisa pledged on certain owned bank accounts and, furthermore, Norprensa, S.A.U. and Distribuciones Aliadas, S.A.U. pledged on credit rights derived from certain material contracts, all in guarantee of the aforementioned creditors.

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) and the 100% of the investments (100% share capital) in Prisa Activos Educativos, S.L.U., Prisa Activos Radiofónicos, S.L.U., Prisa Noticias, S.LU., Prisaprint, S.L.U. and Prisa Gestión Financiera, S.L.U. was also pledged, thereby insuring Tranches 2 and 3.

Other aspects

Grupo Santillana Educación Global, S.L. and Grupo Media Capital, SGPS, S.A. assume certain restrictions in relation to financing contracts, thus restricting the actions and operations that can be carried out.

Credit facilities and other debts with credit institutions-

On June 29, 2018, and within the framework of Refinancing the debt, the Company established a Super Senior credit policy for a maximum amount of up to EUR 86.5 million, of which 50 million have the objective of financing the Company's operating needs. As of December 31, 2018 no drawdowns have been made. The guarantee structure of this Super Senior credit policy is the same as the one mentioned above relating to Tranche 2 and 3 of the debt of Prisa, in such a way that the creditors of said credit policy and those of Tranche 2 and 3 have the same guarantees. However, the Super Senior credit policy has a preferential rank with respect to Tranches 2 and 3 in relation to said guarantees. Also, Grupo Santillana Educación Global, S.L. and Grupo Media Capital, SGPS, S.A. they also assume certain restrictions in relation to this credit policy.

In addition to this credit policy, under this heading are included mainly the amounts drawn down against credit lines used to finance the Prisa Group companies' operating requirements outside Spain. Borrowing facilities maturing in 2019 total EUR 17,515 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.

Foreign currency derivatives-

In 2018, 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.

			Nominal value		
Company	Instrument	Expiry	Thousands of USD	Thousands of euros	Fair value (thousands of euros)
Editora Moderna LTDA	Forward	2019	7,373	6,482	824
Editora Moderna LTDA	Forward	2019	873	768	102
Editora Moderna LTDA	Forward	2019	419	368	50
Editora Moderna LTDA	Forward	2019	179	157	21
Editora Moderna LTDA	Forward	2019	125	109	13
Editora Moderna LTDA	Forward	2019	125	109	12
Editora Moderna LTDA	Forward	2019	2,176	1,914	248
Editora Moderna LTDA	Forward	2019	6,000	5,275	100
Santillana del Pacífico	Forward	2019	1,083	952	27
Santillana del Pacífico	Forward	2019	1,091	959	17
Santillana del Pacífico	Forward	2019	5,914	5,200	92
Santillana del Pacífico	Forward	2019	672	591	17
			26,030	**22,884**	**1,523**

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)	12/31/2018
+10% (increase in USD exchange rate)	(139)
-10% (decrease in USD exchange rate)	169

The sensitivity analysis shows that the exchange rate derivatives shows decreases in their fair value, in the event of increases in exchange rates, while in the event of decreases in exchange rates, the fair value of these derivatives would increase.

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 2018 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 2018.

Maturity	Thousands of euros	Floating euro rates
Within 3 months	29,534	0.00%
From 3 to 6 months	23,184	0.00%
From 6 to 9 months	59,893	0.00%
From 9 to 12 months	14,460	0.00%
From 1 to 2 years	75,023	0.00%
From 2 to 3 years	95,231	0.00%
After 3 years	1,220,605	0.19%
Total	**1,517,930**	

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. Likewise, the medium-term incentive plan described in note 14 is classified as level 1 and 3.

Other financial liabilities

"Other 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, 2018, the Group recognized a financial liability of EUR 125,450 thousand (December 31, 2017: EUR 119,795 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, 2018, the accrued amount of the obligation to pay the preferred dividend for said year amounting to EUR 22,581 thousand (2017: EUR 21,563 thousand).

Likewise, the *"Current financial liabilities"* includes 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 35,987 thousand (on December 31, 2017 this commitment registered in the heading *"Other non- current liabilities"* and *"Other non-trade payables"* amounted to EUR 35,468 thousands and EUR 2,963 thousands, respectably).

12) LONG-TERM PROVISIONS

The changes in 2018 in "*Long-term provisions"* were as follows:

	Thousands of euros						
	Balance at 12/31/2017	Translation adjustment	Changes in scope of consolidation	Charge for the year	Amounts used /Disposals	Transfers	Balance at 12/31/2018
For taxes	22,133	2	(6)	2,852	(16,263)	(20)	8,698
For indemnities	7,025	(93)	-	1,126	(2,691)	58	5,425
For third-party liability and other	15,647	(1,020)	-	5,003	(4,246)	(940)	14,444
Total	**44,805**	**(1,111)**	**(6)**	**8,981**	**(23,200)**	**(902)**	**28,567**

The changes in 2017 in "*Long-term provisions"* were as follows:

	Thousands of euros					
	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)	-	22,133
For indemnities	9,644	(14)	1,845	(4,385)	(65)	7,025
For third-party liability and other	20,067	(1,611)	2,283	(5,736)	644	15,647
Total	**56,516**	**(1,676)**	**4,213**	**(14,827)**	**579**	**44,805**

The *"Provision for taxes"* relates to the estimated amount of tax debts arising from the tax audit carried out at various Group companies.

In 2018, the "*Provision for taxes*" entry mainly corresponds to the reversion of the provision for taxes since the procedures covered by it were completed without the occurrence of the risks associated with it, and the allowance includes the projection of the concepts that were formalised by the audit in the verification procedure finalised in 2018 *(see note 17*).

In 2017 the *"Provision for taxes"* movement mainly corresponded 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 (se*e note 17*).

The *"Provision for indemnities"* includes the provision booked in the previous years to record the downsizing processes *(see note 14).* In 2018, the Group booked an additional provision for this item of EUR 1,126 thousand (December 31, 2017: EUR 1,845 thousand), has used EUR 1,055 thousand (December 31, 2017: EUR 3,113 thousand) as a result of indemnity payments and commercial paper issuances and has reversed EUR 1,636 thousands (December 31, 2017: 1,272 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, 2018, 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	1,187
Green Emerald Business, Inc.	2,472
Other	3,923
Total	**7,582**

In view of the nature of the contingencies covered by these provisions, it is not possible to determine a reasonable payment schedule, if indeed there is one, or their financial effect. However, the Prisa Group's legal advisers and directors consider that the outcome of these procedures and claims will not have a significant effect on the consolidated financial statements for the years in which they come to an end additional to the amount provisioned in the accounting records.

13) OPERATING INCOME

The breakdown of income from the Group's main business lines is as follows:

	Thousands of euros	
	2018	2017
Advertising sales and sponsorship	483,928	467,705
Sales of books and training	578,718	646,428
Newspaper and magazine sales	68,267	79,377
Sales of add-ons and collections	9,815	16,826
Sale of audiovisual rights and programs	28,413	28,646
Intermediation services	10,563	10,317
Other services	66,413	59,415
Revenue	**1,246,117**	**1,308,714**
Income from non-current assets	19,685	4,262
Other income	14,486	22,764
Other income	**34,171**	**27,026**
Total operating income	**1,280,288**	**1,335,740**

The most significant exchange transactions occurred under *"Advertising sales and sponsorship"* and the most significant segments were radio and Media Capital, whose exchanges with third parties amounted to EUR 4,310 thousand in 2018 (December 31, 2017: EUR 3,439 thousand).

The heading "*Income from non-current assets*" includes the result of the sale of certain assets of Santillana USA Publishing Co. Inc., which has generated a profit of EUR 7,127 thousand, as well as an income of the sale of building owned by Santillana in Argentina amounting to EUR 6,249 thousand.

The following table shows the breakdown of the Group's incomes in accordance with the geographical distribution of the entities that generated them (thousands of euros):

	Advertising sales and sponsorship		Sales of books and training		Newspaper and magazine sales		Sale of audiovisual rights and programs		Others		Total operating income	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Europe	**396,568**	**380,330**	**114,625**	**120,634**	**67,012**	**77,303**	**28,413**	**28,113**	**91,741**	**89,815**	**698,359**	**696,195**
Spain	271,830	261,384	110,993	116,901	67,012	77,303	2,236	2,529	61,304	69,816	513,375	527,933
Rest of Europe	124,738	118,946	3,632	3,733	-	-	26,177	25,584	30,437	19,999	184,984	168,262
America	**87,360**	**87,375**	**464,093**	**525,794**	**1,255**	**2,074**	**-**	**533**	**29,221**	**23,769**	**581,929**	**639,545**
Colombia	55,486	52,917	32,241	32,465	-	-	-	-	6,815	12,915	94,542	98,297
Brazil	55	114	168,688	199,835	-	-	-	-	2,502	2,758	171,245	202,707
Mexico	1,040	1,044	81,449	83,612	926	1,083	-	-	1,523	1,244	84,938	86,983
Chile	23,699	23,820	31,751	26,464	87	225	-	-	785	555	56,322	51,064
Rest of America	7,080	9,480	149,964	183,418	242	766	-	533	17,596	6,297	174,882	200,494
TOTAL	**483,928**	**467,705**	**578,718**	**646,428**	**68,267**	**79,377**	**28,413**	**28,646**	**120,962**	**113,584**	**1,280,288**	**1,335,740**

The following table shows the breakdown of the Group's incomes by type of client (thousands of euros):

	2018	2017
Advertising sales and sponsorship	**483,928**	**467,705**
Digital	69,715	60,330
Non digital	414,213	407,375
Sales of books and training	**578,718**	**646,428**
Public sales	121,057	123,762
Learning system	133,915	150,780
Private sales	323,746	371,886
Newspaper and magazine sales	**68,267**	**79,377**
Sale in newsstand	58,110	63,219
Rest	10,157	16,158
Sale of audiovisual rights and programs	**28,413**	**28,646**
Others	**120,962**	**113,584**
TOTAL	**1,280,288**	**1,335,740**

The breakdown of the balances from Group contracts affected by IFRS 15 is as follows:

	Thousands of euros	
	2018	2017
Trade and other receivables (*see note 9b)*	370,021	410,384
Allowances	(61,060)	(50,639)
Other current liabilities- performance obligations pending to satisfied (*see note 9e*)	32,129	25,454

14) OPERATING EXPENSES

Staff costs

The detail of *"Staff costs"* is as follows:

	Thousands of euros	
	2018	2017
Wages and salaries	284,848	298,094
Employee benefit costs	57,279	59,887
Termination benefits	25,263	26,420
Other employee benefit costs	16,023	18,113
Total	**383,413**	**402,514**

The expense for indemnities in the years 2018 and 2017 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:

	2018		2017	
	Average	Final	Average	Final
Executives	370	365	388	374
Middle management	1,126	1,095	1,204	1,196
Other employees	7,042	7,020	7,106	7,215
Total	**8,538**	**8,480**	**8,698**	**8,785**

The breakdown of the average number of employees, by gender, was as follows:

	2018		2017	
	Women	Men	Women	Men
Executives	110	260	124	264
Middle management	485	641	517	687
Other employees	3,268	3,774	3,281	3,825
Total	**3,863**	**4,675**	**3,922**	**4,776**

The breakdown of the number of employees, by gender, was as follows:

	2018		2017	
	Women	Men	Women	Men
Executives	110	255	119	255
Middle management	474	621	513	683
Other employees	3,316	3,704	3,345	3,870
Total	**3,900**	**4,580**	**3,977**	**4,808**

During 2018 the average number of employees with a disability greater than or equal to 33% was 37 (37 during 2017).

Transactions with payments based on equity instruments

1. Regarding remuneration systems that are currently expired but that had an impact on the income statement for 2017:

The Ordinary Shareholder Meeting held on 28 April 2014 authorised, within the period of five years, the delivery of Company shares as payment of remuneration of the directors of the Company and of a defined group of directors of the Prisa Group. This authorisation can be used for, specifically, but not limited to, paying the following remuneration items by payment in shares:

i) Fixed remuneration for being a member of the Board of Directors: Up to 31 December 2017, the Company remuneration policy provided for the possibility of paying each of the external directors, by their choice, the fixed remuneration for being a member of the Board of Directors in full cash, or 60% in cash and 40% in Prisa shares.

When the director selected the partial payment in Prisa shares, they were delivered quarterly.

49,745 shares were accrued for this item in 2017 and an expense of EUR 195 thousand was recorded on the consolidated income statement. 18,672 of these shares were delivered to the external directors in 2018. No accounting expense was recorded for this item in 2018.

ii) Effective January 1, 2018, Mr. Juan Luis Cebrián stepped down as director and Executive Chairman of the Company. No provision was recorded in 2017 for the variable multi-annual incentive for the period 2016-2018 that was included in his contract with the Company, because the remuneration item was not recognised upon the termination of his contract. In 2017, approximately EUR 200 thousand was carried forward for this item.

2. The Extraordinary Shareholders' Meeting held on November 15, 2017 approved an extraordinary incentive of 1,600,000 Prisa shares in favour of Mr. Cebrián, associated with the success of the financial restructuring and capitalisation as well as the sale of Media Capital. It is clarified that nothing was accrued for this item in 2018 and that said plan has been terminated in accordance with the terms and conditions set forth in the resolution of the Meeting.

3. Medium-Term Incentive Plan for the period between 2018 and 2020:

At the Ordinary Shareholders' Meeting held on 25 April 2018, a Medium-Term Incentive Plan was approved for the period between 2018 and 2020, consisting of the delivery of Company shares associated on one hand, with the performance of the stock exchange value and, on the other hand, the achievement of certain objectives (non- discriminatory conditions) (the "Plan"), aimed at the CEO of Prisa, the members of Senior Management and certain directors of its subsidiaries, who may receive a certain number of ordinary shares of the Company after a reference period of 3 years and provided that certain pre-defined requirements are met. At the beginning of the Plan, the Company assigned a certain number of "theoretical shares" ("Restricted Stock Units") to each beneficiary, which will serve as a reference to determine the final number of shares to be delivered.

The fair value of the "theoretical shares" assigned was determined according to the following:

- The fair value of the "theoretical shares" linked to the performance of the stock exchange value of Prisa shares was determined using a known statistical model in accounting practices on the date of measurement, which supposed a unit value of EUR 1.03246 per theoretical share. In this case, the total number of "theoretical shares" assigned, which will serve as a reference to determine the final number of shares to be delivered, is 5,600,000.

- The fair value of the "theoretical shares" linked to the achievement of certain quantitative targets was determined by the market price of the share on the date of measurement (considering the dividends expected during the Plan period), which supposed a unit value of EUR 1.616 per theoretical share. In this case, the total number of "theoretical shares" assigned, which will serve as a reference to determine the final number of shares to be delivered, is 5,600,000.

The expense corresponding to 2018 is EUR 2,531 thousand and is recorded in the personnel expenses item of the consolidated income statement, with no effect on the net equity of the Group, as it is a transaction settled with equity instruments, which implies an increase in consolidated net equity for the same amount.

Outside services

The detail of *"Outside services"* in 2018 and 2017 is as follows:

	Thousands of euros	
	2018	2017
Independent professional services	115,270	126,400
Leases and fees	53,918	55,997
Advertising	39,322	48,697
Intellectual property	31,700	36,599
Transport	33,190	35,898
Other outside services	188,804	183,241
Total	**462,204**	**486,832**

In 2018, "*Other outside services*" include an expense of EUR 232 thousand corresponding to the liability insurance of executives and directors (EUR 272 thousand in 2017).

Fees paid to auditors

The fees for financial audit services relating to the 2018 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 1,600 thousand (2017: EUR 1,671 thousand), of which EUR 294 thousand relate to Prisa (2017: EUR: 296 thousand). Also, the fees relating to other auditors involved in the 2018 audit of the various Group companies amounted to EUR 257 thousand (2017: EUR 326 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):

	2018		2017	
	Principal auditor	Other audit firms	Principal auditor	Other audit firms
Other verification services	622	60	395	72
Tax advisory services	71	569	50	429
Other services	63	1,073	257	2,083
Other professional services	**756**	**1,702**	**702**	**2,584**

Fees for professional services provided to Group companies by the auditing firms are registered under *"Outside services.*

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), 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
2019	29,212
2020	20,458
2021	19,192
2022	17,320
2023	16,249
2024 and following	107,565
	209,996

The lease contracts for the Gran Vía 32 and Miguel Yuste properties have an initial term of twenty-five years ending in 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, ending in April 30, 2020. Likewise, the Queluz lease contract expires in December 2022. The lease expense for properties in 2018 amounted to EUR 27,673 thousand (EUR 22,181 thousand in 2017) and was 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	
	2018	2017
Change in operating allowances	13,961	7,829
Change in inventory write-downs	5,647	9,669
Change in provision for sales returns	1,043	623
Total	**20,651**	**18,121**

15) FINANCIAL LOSS

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

	Thousands of euros	
	2018	2017
Income from current financial assets	690	1,466
Income from equity investments	125	87
Other finance income	5,491	4,070
Finance income	**6,306**	**5,623**
Interest on debt	(52,986)	(52,794)
Adjustments for inflation	(5,827)	(1,945)
Loan arrangement costs	(41,891)	(12,354)
Other finance costs	(7,437)	(18,007)
Finance costs	**(108,141)**	**(85,100)**
Exchange gains	50,330	29,590
Exchange losses	(56,889)	(19,264)
Exchange differences (net)	**(6,559)**	**10,326**
Change in fair value of financial instruments	**22,814**	**-**
Financial loss	**(85,580)**	**(69,151)**

The increase in "*Adjustments for inflation*" in 2018 is due to the consideration of the economy of Argentina as a hyperinflationary economy.

In 2018 the item "*Debt arrangement expenses*" includes, in addition to the expenses and fees corresponding to the previous financial indebtedness pending allocation, those corresponding to the expenses associated with the 2018 Refinancing (*see note 11b*).

In 2017 the item "*Debt arrangement expenses*" includes the expenses accrued in the fiscal year.

The variation in the "*Exchange differences*" are essentially due to the expense generated by updating the dividend to be paid to DLJ *(see note 11b)* as a result of the appreciation of the dollar.

In 2018, the income recorded in the item "*Variation of fair value in financial instruments*" corresponds to the difference between the nominal value of the debt associated with the Refinancing and its fair value on the initial recording date compensated with the financial expense accrued in 2018 associated with the difference between the initial amount of the debt and the amount at expiration, using the effective interest method (*see note 11b*).

16) BUSINESS SEGMENTS

Segment reporting is structured on a primary basis by business segment and on a secondary basis by geographical segment.

The business segments were determined based on the Prisa Group's organizational structure at year-end 2018 considering the nature of the products and services offered, and the customer segments which they target.

Since June 30, 2018, the Media Capital segment has been incorporated again as a business segment, as Media Capital began to be recorded as an ongoing activity. The comparative information from 2017 has been modified according to this structure for comparative purposes. Therefore, at December 31, 2018, 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
- Media Capital, which obtains its revenue mainly from the broadcast of advertising as well as from audio-visual production.

The column *"Others"* includes Prisa Brand Solutions, S.L. (Sole Trader) and subsidiaries, Prisa Tecnología, S.L., Promotora de Informaciones, S.A., Promotora de Actividades América 2010, S.L., Promotora de Actividades América 2010 México, S.A. de C.V., Prisa Participadas, S.L., Prisa Inc., GLP Colombia, Ltda., Vertix, SGPS, S.A., 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., Plural Entertainment Canarias, S.L., Prisa Activos Educativos, S.L.U., Prisa Activos Radiofónicos, S.L., Prisa Gestión Financiera, S.L., Promotora Audiovisual de Colombia PACSA, S.A., Productora Audiovisual de Badajoz, S.A., Productora Extremeña de Televisión, S.A. y Málaga Altavisión, S.A.

Segment information about these businesses for 2018 and 2017 is presented below. The column *"Eliminations and adjustments"* mainly includes transactions between group companies:

	EDUCATION		RADIO		PRESS		MEDIA CAPITAL		OTHERS		ELIMINATIONS AND ADJUSTMENTS		PRISA GROUP	
	12.31.2018	12.31.2017	12.31.2018	12.31.2017	12.31.2018	12.31.2017	12.31.2018	12.31.2017	12.31.2018	12.31.2017	12.31.2018	12.31.2017	12.31.2018	12.31.2017
Operating income	**600,542**	**656,203**	**287,580**	**280,666**	**203,160**	**220,578**	**181,809**	**165,463**	**71,027**	**88,864**	**(63,830)**	**(76,034)**	**1,280,288**	**1,335,740**
- External sales	**599,319**	**655,655**	**287,216**	**278,936**	**146,069**	**171,174**	**181,652**	**165,035**	**63,360**	**63,194**	**2,672**	**1,746**	**1,280,288**	**1,335,740**
- Advertising	0	0	257,150	248,883	49,629	56,274	124,738	118,724	52,411	43,823	0	1	483,928	467,705
- Books and training	578,718	646,428	0	0	0	0	0	0	0	0	0	0	578,718	646,428
- Newspapers and magazines	0	0	0	0	68,267	79,377	0	0	0	0	0	0	68,267	79,377
- Sale of audiovisual rights and programs	0	0	0	32	0	0	26,222	26,689	2,192	1,927	(1)	(2)	28,413	28,646
- Other	20,601	9,227	30,066	30,021	28,173	35,523	30,692	19,622	8,757	17,444	2,673	1,747	120,962	113,584
- Intersegment sales	**1,223**	**548**	**364**	**1,730**	**57,091**	**49,404**	**157**	**428**	**7,667**	**25,670**	**(66,502)**	**(77,780)**	**0**	**0**
- Advertising	0	0	467	1,310	57,610	49,226	49	222	(51,387)	(43,832)	(6,739)	(6,926)	0	0
- Books and training	0	7	0	0	0	0	0	0	0	0	0	(7)	0	0
- Newspapers and magazines	0	0	0	0	0	0	0	0	0	0	0	0	0	0
- Sale of audiovisual rights and programs	0	0	0	0	0	0	2	38	2	33	(4)	(71)	0	0
- Other	1,223	541	(103)	420	(519)	178	106	168	59,052	69,469	(59,759)	(70,776)	0	0
Operating expenses	**(496,499)**	**(546,010)**	**(244,487)**	**(252,251)**	**(202,118)**	**(234,682)**	**(148,196)**	**(133,289)**	**(243,143)**	**(197,850)**	**139,482**	**80,984**	**(1,194,961)**	**(1,283,098)**
- Cost of materials used	(119,679)	(135,070)	(176)	(528)	(41,817)	(45,845)	(22,652)	(20,727)	(115)	88	2,797	4,278	(181,642)	(197,804)
- Staff costs	(147,894)	(156,903)	(95,863)	(93,949)	(54,564)	(61,024)	(40,995)	(41,189)	(44,097)	(49,449)	0	0	(383,413)	(402,514)
- Depreciations and amortisation charge	(45,639)	(52,998)	(8,152)	(8,232)	(4,294)	(7,489)	(6,632)	(7,903)	(752)	(934)	(6)	0	(65,475)	(77,556)
- Outside services	(165,714)	(184,550)	(138,628)	(144,797)	(99,454)	(109,740)	(77,440)	(62,858)	(41,999)	(56,374)	61,031	71,487	(462,204)	(486,832)
- Change in operating provisions	(15,809)	(14,102)	(1,430)	(2,393)	(1,552)	(1,089)	(477)	(210)	(1,383)	(327)	0	0	(20,651)	(18,121)
- Changes in valuation allowances to Group companies	0	0	0	0	0	0	0	0	(75,659)	(5,020)	75,659	5,020	0	0
- Other expenses	(1,764)	(2,387)	(238)	(2,352)	(437)	(9,495)	0	(402)	(79,138)	(85,834)	1	199	(81,576)	(100,271)
Profit from operations	**104,043**	**110,193**	**43,093**	**28,415**	**1,042**	**(14,104)**	**33,613**	**32,174**	**(172,116)**	**(108,986)**	**75,652**	**4,950**	**85,327**	**52,642**
Finance income	**2,351**	**2,817**	**2,765**	**1,969**	**2,487**	**860**	**34**	**94**	**54,193**	**31,145**	**(29,978)**	**(31,262)**	**31,852**	**5,623**
- Interest income	1,549	854	2,159	1,812	2,403	570	34	94	8,371	6,920	(12,323)	(8,613)	2,193	1,637
- Other financial income	802	1,963	606	157	84	290	0	0	45,822	24,225	(17,655)	(22,649)	29,659	3,986
Finance costs	**(35,799)**	**(36,198)**	**(5,432)**	**(5,833)**	**(3,198)**	**(11,149)**	**(3,166)**	**(4,083)**	**(98,230)**	**(58,282)**	**34,952**	**30,445**	**(110,873)**	**(85,100)**
- Interest expenses	(5,922)	(7,978)	(1,603)	(1,995)	(2,402)	(3,111)	(2,688)	(3,587)	(52,678)	(44,756)	12,307	8,633	(52,986)	(52,794)
- Other financial expenses	(29,877)	(28,220)	(3,829)	(3,838)	(796)	(8,038)	(478)	(496)	(45,552)	(13,526)	22,645	21,812	(57,887)	(32,306)
Exchange differences (net)	**(5,916)**	**15,607**	**(238)**	**(3,825)**	**(160)**	**(437)**	**175**	**(493)**	**(420)**	**(528)**	**0**	**2**	**(6,559)**	**10,326**
Financial profit (loss)	**(39,364)**	**(17,774)**	**(2,905)**	**(7,689)**	**(871)**	**(10,726)**	**(2,957)**	**(4,482)**	**(44,457)**	**(27,665)**	**4,974**	**(815)**	**(85,580)**	**(69,151)**
Result of companies accounted for using the equity method	0	0	4,040	4,672	(316)	(97)	0	0	(0)	(6)	106	250	3,830	4,819
Loss from other investments	0	0	0	0	0	(1,163)	0	0	0	0	0	0	0	(1,163)
Profit before tax from continuing operations	**64,679**	**92,419**	**44,228**	**25,398**	**(145)**	**(26,090)**	**30,656**	**27,692**	**(216,573)**	**(136,657)**	**80,732**	**4,385**	**3,577**	**(12,853)**
Income tax	(26,621)	(37,793)	(14,128)	(11,466)	(52,984)	(2,830)	(9,082)	(7,905)	(137,337)	(559)	0	(1,006)	(240,152)	(61,559)
Profit from continuing operations	**38,058**	**54,626**	**30,100**	**13,932**	**(53,129)**	**(28,920)**	**21,574**	**19,787**	**(353,910)**	**(137,216)**	**80,732**	**3,379**	**(236,575)**	**(74,412)**
Profit after tax from discontinued operations	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**(984)**	0	0	**0**	**(984)**
Consolidated profit for the year	**38,058**	**54,626**	**30,100**	**13,932**	**(53,129)**	**(28,920)**	**21,574**	**19,787**	**(353,910)**	**(138,200)**	**80,732**	**3,379**	**(236,575)**	**(75,396)**
Non-controling interests	**(87)**	**(94)**	**(2,617)**	**(2,123)**	**(1,050)**	**(516)**	**0**	**0**	**124**	**(125)**	(29,142)	(24,310)	**(32,772)**	**(27,168)**
Profit atributable to the Parent	**37,971**	**54,532**	**27,483**	**11,809**	**(54,179)**	**(29,436)**	**21,574**	**19,787**	**(353,786)**	**(138,325)**	**51,590**	**(20,931)**	**(269,347)**	**(102,564)**

	EDUCATION		RADIO		PRESS		MEDIA CAPITAL		OTHERS		ELIMINATIONS AND ADJUSTMENTS		PRISA GROUP	
	12.31.2018	12.31.2017	12.31.2018	12.31.2017	12.31.2018	12.31.2017	12.31.2018	12.31.2017	12.31.2018	12.31.2017	12.31.2018	12.31.2017	12.31.2018	12.31.2017
BALANCE SHEET														
Assets	**523,012**	**544,053**	**402,399**	**390,803**	**171,069**	**199,476**	**398,977**	**406,330**	**2,970,406**	**2,809,645**	**(2,805,141)**	**(2,427,774)**	**1,660,722**	**1,922,533**
- Non-current (except accounted for using the equity method)	194,336	202,350	198,363	216,968	32,009	57,352	284,889	286,619	2,327,654	2,164,253	(2,267,059)	(1,852,630)	770,192	1,074,912
- Investments accounted for using the equity method	0	0	46,708	40,126	(602)	(158)	0	0	0	0	(3,029)	(2,721)	43,077	37,247
- Current	328,676	341,703	150,264	133,709	139,662	142,282	114,088	119,711	642,752	645,392	(534,978)	(572,423)	840,464	810,374
- Assets classified as held for sale	0	0	7,064	0	0	0	0	0	0	0	(75)	0	6,989	0
Equity and liabilities	**523,012**	**544,053**	**402,399**	**390,803**	**171,069**	**199,476**	**398,977**	**406,330**	**2,970,406**	**2,809,645**	**(2,805,141)**	**(2,427,774)**	**1,660,722**	**1,922,533**
- Equity	90,385	105,347	250,708	238,937	(24,627)	34,085	248,605	246,528	1,267,608	624,421	(2,068,488)	(1,734,182)	(235,809)	(484,864)
- Non-current	157,163	166,855	16,615	51,898	3,273	4,618	52,968	68,190	1,296,099	758,462	(200,745)	(120,287)	1,325,373	929,736
- Current	275,464	271,851	132,092	99,968	192,423	160,773	97,404	91,612	406,699	1,426,762	(535,847)	(573,305)	568,235	1,477,661
- Liabilities classified as held for sale	0	0	2,984	0	0	0	0	0	0	0	(61)	0	2,923	0

The next table breaks down the cash flow statement for the continuing operations by segment in 2018 (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	128,541	(30,600)	(52,706)	(1,414)	**43,821**
Radio	44,598	(3,719)	(3,717)	(908)	**36,254**
Press	(12,856)	(3,542)	(663)	-	**(17,061)**
Media Capital	35,622	(6,123)	(13,057)	-	**16,442**
Others	(3,168)	(1,997)	3,165	133	**(1,867)**
Total	**192,737**	**(45,981)**	**(66,978)**	**(2,189)**	**77,589**

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)**
Media Capital	26,914	(4,318)	(8,188)	-	**14,408**
Others	(9,307)	(16,865)	(31,691)	(317)	**(58,180)**
Total	**132,296**	**(77,989)**	**(76,147)**	**(7,079)**	**(28,919)**

The detail of capex for the continuing operations in 2018 and 2017 by business segment is as follows (in thousands of euros):

	2018			2017		
	Property, plant and equipment	Intangible assets	Total	Property, plant and equipment	Intangible assets	Total
Education	10,537	39,901	**50,438**	14,554	38,440	**52,994**
Radio	3,649	1,920	**5,569**	3,416	1,931	**5,347**
Press	1,066	2,935	**4,001**	706	2,647	**3,353**
Media Capital	5,567	559	**6,126**	3,744	295	**4,039**
Other	213	2,237	**2,450**	164	1,532	**1,696**
Total	**21,032**	**47,552**	**68,584**	**22,584**	**44,845**	**67,429**

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 following table shows the breakdown of income and the result before minority interests and taxes of the Group according to the geographical distribution of the entities that originate them:

	Thousands of euros					
	Revenue		**Other income**		**Profit/(loss) before non-controlling interests and tax**	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**
Europe	**683,574**	**678.260**	**14,785**	**17,935**	**(92,614)**	**(121,837)**
Spain	499,189	511.215	14,186	16,718	(122,676)	(149,977)
Rest of Europe	184,385	167.045	599	1,217	30,062	28,140
America	**562,543**	**630,454**	**19,386**	**9,091**	**95,191**	**108,984**
Colombia	92,089	95,504	2,453	2,793	13,834	11,676
Brazil	170,448	201,339	797	1,368	24,892	36,089
Mexico	84,137	86,286	801	697	9,325	7,068
Chile	55,659	50,566	663	498	12,662	10,013
Rest of America	160,210	196,759	14,672	3,735	35,388	44,138
TOTAL	**1,246,117**	**1,308,714**	**34,171**	**27,026**	**3,577**	**(12,853)**

	Thousands of euros			
	Non- current assets (*)		**Total assets**	
	2018	**2017**	**2018**	**2017**
Europe	**403,833**	**485,799**	**1,037,437**	**1,285,036**
Spain	126,990	132,201	645,701	717,529
Rest of Europe	276,843	353,598	391,736	567,507
America	**249,462**	**265,559**	**623,285**	**637,497**
Colombia	25,109	26,523	82,210	76,703
Brazil	85,563	90,018	210,160	222,267
Mexico	57,808	49,261	104,560	91,077
Chile	65,133	70,152	108,458	116,441
Rest of America	15,849	29,605	117,897	131,009
TOTAL	**653,295**	**751,358**	**1,660,722**	**1,922,533**

(*) Include property, plant and equipment, goodwill, intangible assets, investments accounted for using the equity method and other non-current assets.

17) TAX MATTERS

In Spain, Promotora de Informaciones, SA, is subject to the special tax consolidation regime, in accordance with the Corporate Tax Law, which is the dominant entity of the Group identified as number 2/91 and composed of all those subsidiaries *(see 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.

Vertix, 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 2018, 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 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 2018 and 2017.

	Income statement	
	2018	**2017**
CONSOLIDATED NET PROFIT UNDER IFRS BEFORE TAX FROM DISCONTINUED OPERATIONS	**3,577**	**(12,853)**
Tax charge at 25%*	894	(3,213)
Consolidation adjustments	11,858	8,220
Temporary differences	1,847	13,358
Permanent differences (1)	17,374	19,478
Tax loss carry forwards	(684)	(470)
Tax credits and tax relief (2)	(505)	(1,123)
Effect of applying different tax rates (3)	1,849	7,290
Current income tax expense	**32,633**	**43,540**
Deferred tax expense for temporary differences	**(1,847)**	**(13,358)**
Previous income tax for 2017	30,786	30,182
Adjustment of prior years' tax (4)	203,907	21,830
Foreign tax expense (5)	3,186	3,753
Employee profit sharing and other expense concepts (6)	2,273	1,900
Adjustments to consolidated tax	-	3,894
TOTAL INCOME TAX	**240,152**	**61,559**

* 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 2018, 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 6,815 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, (vii) from tax loss derived from Santillana USA dissolution, and (viii) from limitation of the deductibility of financial expenses outlined in article 16 of the Income Tax Law.

(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

2018-

The following table shows the origin and amount of the deferred tax assets and liabilities recognized at year-end 2018 (in thousands of euros):

DEFERRED TAX ASSETS ARISING FROM:	12.31.2017	Transfers	Additions	Disposals	12.31.2018
Non-deductible financial expenses	144,538	(49,458)	-	(38,491)	56,589
Non-deductible provisions and amortization	22,792	-	5,444	(2,478)	25,758
Unused tax credit recognized	76,733	-	1,339	(57,855)	20,217
Tax loss carry forwards	77,856	49,458	2,935	(112,824)	17,425
Other	13,315	-	3,271	(1,212)	15,374
Total	**335,234**	**-**	**12,989**	**(212,860)**	**135,363**

DEFERRED TAX LIABILITIES ARISING FROM:	12.31.2017	Transfers	Additions	Disposals	12.31.2018
Impairment losses on equity investments and goodwill	1,055	-	-	(396)	659
Deferral for reinvestment of extraordinary income	2,181	-	-	(379)	1,802
Accelerated amortization	514	714	351	(375)	1,204
Different accounting and tax recognition criteria for income and expenses	9,564	-	-	(5,413)	4,151
Other	10,156	(714)	1,436	(82)	10,796
Total	**23,470**	**-**	**1,787**	**(6,645)**	**18,612**

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 financial expenses	140,592	-	5,007	(1,061)	144,538
Non-deductible provisions and amortization	19,772	1,431	3,249	(1,660)	22,792
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	(1,568)	2,219	(335)	13,315
Total	**353,653**	**88**	**15,997**	**(34,504)**	**335,234**

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	(2,277)	517	(345)	10,156
Total	**21,055**	**-**	**7,092**	**(4,677)**	**23,470**

The tax assets and liabilities on the consolidated balance sheet at year-end 2018 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.

The main net additions in deferred tax assets in 2018 are due to the tax loss carryforwards of the Prisa consolidation group as a the result of the reallocation of deferred tax assets from category of non- deductible financial expenses, derived from the audit completed in 2018 corresponding to the Corporate Tax for the period from 2012 to 2015, and the net disposals correspond to, on the one hand, of that audit, and on the other hand, from the tax credits write-offs corresponding to tax loss carryforwards, non-deductibility of the net financial expense and deductions pending application.

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.

	2018			2017		
Year incurred	**Amount**	**Recognized**	**Not recognized**	**Amount**	**Recognized**	**Not recognized**
1998	13,357	-	13,357	13,357	-	13,357
1999	73,978	-	73,978	73,978	-	73,978
2000	64,017	-	64,017	64,017	-	64,017
2001	57,007	-	57,007	57,007	-	57,007
2002	84,008	-	84,008	84,047	39	84,008
2003	45,380	-	45,380	45,554	110	45,444
2004	60,116	243	59,873	61,661	255	61,406
2005	1,357	178	1,179	4,473	267	4,206
2006	673	-	673	3,138	244	2,894
2007	2,790	-	2,790	4,858	-	4,858
2008	2,273	145	2,128	8,386	145	8,241
2009	236	-	236	2,399	-	2,399
2010	23	-	23	23	-	23
2011	140,254	6,398	133,856	112,388	109,210	3,178
2012	245,156	22,865	222,291	245,619	143,007	102,612
2013	53,528	4,166	49,362	58,070	24,935	33,135
2014	68,072	5,337	62,735	317	46	271
2015	634,586	1,714	632,872	554,487	-	554,487
2016	88	68	20	87	-	87
2017	160,337	486	159,851	152,153	3,156	148,997
2018	37,641	-	37,641	-	-	-
TOTAL	**1,744,877**	**41,600**	**1,703,277**	**1,546,019**	**281,414**	**1,264,605**

The breakdown by country of the tax loss carryforwards of the Group's foreign companies is shown below, in thousands of euros:

2018-

Year incurred	ARGENTINA	BRASIL	COLOMBIA	CHILE	MEXICO	PERU	PORTUGAL	PUERTO RICO	USA	TOTAL
2002									22	22
2003									72	72
2004									566	566
2005				316					1,588	1,904
2006				1					6,150	6,151
2007		159		20					4,868	5,047
2008		156		26					3,555	3,737
2009		74		19	470				3,478	4,041
2010	40	59		620	37				2,006	2,762
2011		100		811	483				559	1,953
2012		2,063		1,183	859				2,267	6,372
2013	6	7,235		1,323	439				2,840	11,843
2014	771	4,048	214	1,077	397				2,534	9,041
2015	1,171	1,005	516	396	964					4,052
2016	197	1,533	246	827	4,071	629	528	901	1,893	10,825
2017	472	1,466	2,411	1,266	2,529		683	27	1,891	10,745
2018	454	307		2,014	3,215		185			6,175
TOTAL	**3,111**	**18,205**	**3,387**	**9,899**	**13,464**	**629**	**1,396**	**928**	**34,289**	**85,308**
RECOGNIZED		7,694	3,243	8,025	3,433			928		23,323
NOT RECOGNIZED	3,111	10,511	144	1,874	10,031	629	1,396	0	34,289	61,985
Period for offset	5 years	No limit	No limit	No limit	10 years	4 years/no limit	12 años/5 años	No limit	20 years/15 years	

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				**24,585**
NOT RECOGNIZED	81,527	4,668	11,362	1,484	5,842	426	1,371	2,409	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	

Once the analysis of the recovery of tax credits has been carried out, in accordance with the criteria established by accounting standards, tax credits corresponding to the following were written off in the consolidated balance sheet as of December 31, 2018: (i) deductions for investments for a total amount of EUR 30,079 thousand; (ii) deductions for double taxation for the amount of EUR 27,315 thousand; (iii) tax credits derived from the non-deductibility of the net financial expense for the amount of EUR 37,061 thousand; and (iv) credits for negative tax bases for the amount of EUR 106,544 thousand, generating a higher tax expense.

These write-offs are derived, essentially, from (i) a perspective of cash optimization in line with long-term projections of Prisa Group, (ii) the Refinancing impact described in the note 11b, that supposes a greater deductible annual financial expense in the future, that reduces the use of the tax credits and (iii) the result of the Tax Audit completed in 2018 corresponding to the Corporate Tax of the Prisa consolidation group for the period from 2012 to 2015, which generated a reallocation of credits, as a result of the increase of the deductible financial expenses in 2014 and 2015, increasing the tax loss carry forwards. To the extent that the tax loss carry forwards have limitations on their recoverability (25% of the positive result of the year), this reallocation from a category to another one has negatively impacted by their recovery.

The business plans, on which the recovery of the deferred tax assets of the Group is based, are updated taking into account the operational performance of the companies, the development of the long-term strategy of the Group, and a series of macroeconomic and sectoral hypotheses for all the businesses. Maintaining the leadership position of the Group in the sectors in which it operates were also considered. Forecasts and studies conducted by third parties were taken also into account during its development.

Santillana in Spain predicts an increase in revenue as a result of content renewals pursuant to education cycles, digital developments and growth initiatives in the area of extra-curricular activities.

Projections take into account growth in the advertising sector in line with the latest studies available and the leadership position in the different businesses in which 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.

In News, projections include progress of businesses towards a fundamentally digital model with a higher contribution margin. Furthermore, decreases in costs are expected as a result of the adjustment plans carried out in the business structure, mainly in printing and distribution.

Finally, efficiency processes on corporate services will continue, which will be decreased in coming years.

Once the adjustment mentioned in the previous paragraphs is made, the companies' business plans, together with specific tax planning actions, allow for recovery of the deferred tax assets and liabilities recorded in the consolidated balance sheet on December 31, 2018 within legal term established in accounting regulations.

Based on the measures approved by Royal Decree-Law 3/2016, of December 2, a higher tax expense was recorded in the amount of EUR 6,815 thousand, as a result of the minimum integration in five years of carrying forward the losses due to impairment of the securities representing the equity interest of entities that would have been tax deductible.

c) Years open for review by the tax authorities

The fiscal years open for review by the tax authorities for the main taxes vary from one consolidated company to another, although they generally include the last four fiscal years, with the exceptions discussed below.

The verification actions for the consolidated Corporate Tax for 2003 to 2005 ended in 2010 with a Notice of disagreement for the amount of EUR 20,907 thousand. In response to this Notice, the Company filed the pertinent claims and judicial appeals, which were completed in 2016 with a partially upheld sentence that was finalised. In 2017, the aforementioned ruling of the National Court was enforced by the Tax Administration, which entailed a return of EUR 6,874 thousand, which generated an income from Corporate Tax of EUR 2,814 thousand and the rest of the amount was recorded on the income statement according to the nature of the item.

The tax consolidation audits of the Group for the Corporate Tax corresponding to 2006 to 2008 ended with the opening of a signed Notice of disagreement for the amount of EUR 9 thousand, which was paid by the Company. However, the Company was not in agreement with the criteria maintained by the audit in the regularisation proposed by it, and the relevant claims and appeals have been filed, and on the date of formulation of these statements, they are pending resolution before the National Court. No additional equity impact will be derived from these actions.

The verification of the individual Corporate Tax for 2008 of Sociedad Española de Radiodifusión ended with the opening of a Notice for the amount of EUR 219 thousand, which was paid by the Company. However, the corresponding economic-administrative appeal was filed with the TEAC and, later, a contentious-administrative appeal before the National Court, which is currently pending resolution. No additional equity impact will be derived from these actions.

With regard to the Value Added Tax for the period from June 2007 to December 2008, the audits were finalised with the opening of two Notices, one for EUR 539 thousand, and the other for EUR 4,430 thousand, both of which have been the subject of economic-administrative appeals before the TEAC. A resolution partially upheld by the TEAC was received against the one filed in the corresponding administrative resource that is pending resolution. The tax debt arising from these Notices was paid. No additional equity impact will be derived from these actions.

The partial tax audits relating to corporate income tax for 2008 of the 225/04 consolidated tax group, of which the company Dédalo Grupo Gráfico, S.L. was the parent company, concluded with the initiation of a tax assessment signed in disagreement, without any amount to be paid, in which the tax loss carry forwards to be offset in future years were regularised and with the imposing of a penalty amounting to EUR 1,525 thousand. In 2018 the tax authorities formally annulled both the Settlement contained in the Notice of disagreement and the Penalty agreement.

The audit procedure regarding the Value Added Tax for the period of May 2010 to December 2011 of VAT Group 105/08 of which Promotora de Informaciones, S.A. is the parent company, ended with the signing of a Notice of agreement for the amount of EUR 512 thousand, which was paid and recorded in 2016; and another Notice of disagreement for the amount of EUR 7,785 thousand, which, although it has been appealed, was also paid and recorded with a charge to the profit and loss account. No additional equity impact will be derived from these actions.

The audits related to the Corporate Tax corresponding to 2009 to 2011 in Fiscal Consolidation Group 2/91, of which Promotora de Informaciones is the parent company, and in Fiscal Consolidation Group 194/09, of which Prisa Radio, SA was the parent company, were completed in 2016. For Promotora de Informaciones, S.A., these resulted in the signing of a Notice of disagreement with no amounts payable and whose impact was recorded in that fiscal year. The Company filed the corresponding economic-administrative appeal with the TEAC, and then, a contentious-administrative appeal with the National Court, which is currently pending resolution. No additional equity impact will be derived from these actions.

In 2017, audits related to Corporate Tax for 2012 and 2013 were initiated for fiscal consolidation group 194/09, of which Prisa Radio, S.A. was the parent company. These actions also covered the Corporate Tax for 2012 to 2015 of Consolidation Group 2/91, of which Promotora de Informaciones, S.A. is the parent company, and the Value Added Tax for the period from February 2013 to December 2015 of VAT Group 105/08, of which Promotora de Informaciones, S.A. is the parent company, as well as withholdings for Personal Income Tax and withholdings for Non-Resident Income Tax for the period from 2013 to December 2015.

The audits related to withholdings of Personal Income Tax for the period from 2013 to December 2015 were completed in 2018 with the signing of a Notice of agreement for the amount of EUR 192 thousand, which has been recorded.

Furthermore, the audits related to withholdings of Non-Resident Income Tax corresponding to the same tax periods have been completed, without any regularisation being derived from them.

The audits related to Value Added Tax have also been completed with the signing of a Notice of agreement for the amount of EUR 3,182 thousnad, which was paid as of the date of formulation of these annual statements, but which did not have any impact on equity since it was provided for in previous fiscal years.

On the date of formulation of these annual statements, the audits related to Corporate Tax for 2012 to 2015 have been finalised, from which no amounts payable were derived, and whose main effect entailed a redistribution of tax credits from one category to another, which negatively impacted their recovery within the time limit set by accounting standards.

Aside from the explanations given in previous sections, the last four fiscal years of the Company are open to audit for the entirety of the main taxes.

The provision for taxes *(see note 12)* includes an amount of EUR 8,698 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.

18) ALLOCATION OF RESULTS

The proposal for the allocation of the loss of Promotora de Informaciones, S.A. for 2018 is as follows (in thousands of euros):

	Amount
Basis of appropriation	
Result for the year	110,201
Distribution-	
Legal reserve	11,020
Prior year losses	99,181

19) EARNINGS PER SHARE

Basic earnings/(loss) per share was calculated by dividing the profit/(loss) for the year attributable to equity holders of the Parent by the weighted average number of ordinary shares in circulation during the period.

The basic earnings (loss) per share attributed to equity holders of the Parent corresponding to continuing and discontinued operations in 2018 and 2017 were the following:

	Thousands of euros	
	12/31/2018	12/31/2017
Profit/(loss) for the year from continuing operations attributable to the Parent	(269,347)	(101,580)
Profit/(loss) after tax from discontinued operations attributable to the Parent	-	(984)
Profit/(loss) for the year attributable to the Parent	(269,347)	(102,564)
Weighted average number of ordinary shares outstanding (thousands of shares)	496,683	79,305
Basic earnings/(loss) per share of continuing operations (euros)	(0.54)	(1.28)
Basic earnings/(loss) per share of discontinued operations (euros)	-	(0.01)
Basic earnings/(loss) per share (euros)	(0.54)	(1.29)

In 2017, considering the same weighted average number of ordinary shares outstanding than in 2018, basic loss per share of continuing operations was EUR 0.20 and of the discontinuing operations was 0.00.

The effect on the number of ordinary shares of the share subscription rights (warrants) and the medium-term incentive for the calculation of the benefit per diluted share were not considered, since it would have an anti-dilution effect when reducing the losses per share.

Weighted average number of ordinary shares outstanding in 2018 and 2017:

	Thousands of shares	
	2018	**2017**
Ordinary shares at December 31	88,827	78,336
Share capital increases	408,949	1,265
Weighted average of treasury shares	(1,093)	(296)
Weighted average number of ordinary shares outstanding for basic earnings per share	**496,683**	**79,305**

20) RELATED PARTY TRANSACTIONS

The detail of the balances receivable from and payable to associates and related parties in 2018 and 2017 is as follows:

	12/31/2018		12/31/2017	
	Group employees, companies or entities	Significant shareholders	Group employees, companies or entities	Significant shareholders
Trade receivables	3,902	842	3,498	2,220
Receivables- loans	11,012	-	10,401	-
Total receivables	**14,914**	**842**	**13,899**	**2,220**
Trade payables	2,151	3,131	1,380	4,306
Payables- loans	2	405,040	5	636,675
Total payables	**2,153**	**408,171**	**1,385**	**640,981**

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 2,472 thousand.

Balance with significant shareholders-

The aggregate amount of EUR 842 thousand mainly included the amounts pending of collection for advertising services of Prisa Group companies to Banco Santander, S.A. y Telefónica, S.A.

The aggregate amount of EUR 408,171 thousand is mainly accounted the loans granted to Prisa Group companies by:

- Banco Santander, S.A. amounting to EUR 37,425 thousand (EUR 47,896 thousand at December 31, 2017).

- HSBC Holding, PLC amounting to EUR 367,615 thousand (EUR 458,599 thousand at December 31, 2017).

The transactions performed with related parties in 2018 and 2017 were as follows (in thousands of euros):

	12/31/2018			12/31/2017		
	Directors and executives	Group employees, companies or entities	Significant shareholders	Directors and executives	Group employees, companies or entities	Significant shareholders
Services received	-	309	8,381	190	458	8,667
Finance expenses	-	981	18,985	-	4,487	17,498
Leases	-	480	2,239	-	628	2,189
Other expenses	9,943	387	88	14,569	220	1,575
Total expenses	**9,840**	**2,157**	**29,693**	**14,759**	**5,793**	**29,929**
Finance income	-	1,015	-	-	646	1
Dividends received	-	20	-	-	2,024	-
Provision of services	-	2,155	4,202	-	2,739	5,861
Leases	-	34	20	-	86	30
Other income	-	30	293	-	40	193
Total revenues	-	**3,254**	**4,515**	-	**5,535**	**6,085**

All related party transactions have taken place under market conditions.

Transactions between with Directors and executives -

The aggregate amount of EUR 9,943 thousand relates to the accrued salaries of directors for an amount of EUR 3,153 thousand *(see note 21)* and executives for an amount of EUR 6,790 thousand.

Senior management compensation

The total aggregate compensation of members of senior management and the Internal Audit Manager (the "Managers") in 2018, of Promotora de Informaciones, S.A. and other companies in the Group amounts to EUR 6,790 thousand (EUR 5,065 thousand in 2017).

i. This compensation is the accounting reflection of the overall compensation of managers and therefore do not match with the remuneration accrued in 2018 that will be included in the Annual Report of Corporate Governance 2018 in which is followed the criteria required by the CNMV in the "Circular 2/2018 of the CNMV", which is not the accounting provision basis.

ii. The aggregate compensation of the managers is the compensation of members of senior management, that being understood to be the members of the Business Management Committee that are not executive directors and have an employment relationship with Prisa and other companies in the Group, managers who regularly attend meetings of the Committee, and the Internal Audit Manager of Prisa. Specifically, it is that of the following executives: Mr. Xavier Pujol, Mr. Guillermo de Juanes, Mr. Augusto Delkader, Mr. Jorge Rivera, Ms. Marta Bretos, Mr. Miguel Angel

Cayuela, Mr. Pedro García Guillén, Mr. Alejandro Martinez Peón, Ms Rosa Cullel and Ms. Virginia Fernández.

It has been included the remuneration of Mr. Augusto Delkader, Mr. Jorge Rivera, Ms Marta Bretos, Mr Pedro García Guillén and Mr Alejandro Martinez Peón from their appointment, in 2018, as Chief Editor, Chief of Communication and Institutional Relations, Head of Talent Management, CEO of Prisa Radio, and Ceo of Prisa Noticias, respectively.

The remunerations of Ms Bárbara Manrique de Lara, Mr. Ignacio Soto and Mr Andrés Cardó, until they ceased in 2018 as Chief of Communication and Institutional Relations, Chief Revenue Officer, and CEO of Prisa Radio, respectively, are also included within the total compensation of senior management.

iii. The aggregated 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 2018, 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 2017 bonus paid in April 2018 of those who were members of senior management at December 31, 2017, which includes the adjustments in the bonus corresponding to Mr. Manuel Mirat, CEO of Prisa, for his responsibilities as CEO of Prisa Noticias in 2017.

- EUR 1,017 thousands in respect of the post-contractual non-competition agreement and compensation for termination of contracts of senior management in 2018.

- It is noted that at the Ordinary Shareholders' Meeting held on April 25, 2018, it was approved a Medium Term Incentive Plan for the period falling between 2018 and 2020, consisting of the award of Company shares linked to stock market value and to the performance of certain objectives, targeted at the CEO of Prisa and certain managers, who may receive a certain number of ordinary shares of the Company following a reference period of 3 years, provided that certain predefined requirements are met. The Company has assigned a certain number of restricted stock units (“Restricted Stock Units” or “RSUs”) to each beneficiary, and specified the objectives (other than the quotation) that must be met in order to benefit from the incentive, which will serve as a reference to determine the final number of shares to be delivered, if is the case.

  In 2018, an accounting expense of EUE 1,140 thousand was recorded for this item in relation to the senior management. This expense is included within the the remuneration of the Managers (EUR 6,790 thousand). However, since this compensation is subject to achievement of the certain objectives, the accounting figure in no way constitutes acknowledgment that that variable compensation has accrued, which will occur, if at all, once the year 2020 is closed and the annual accounts of the Group are prepared, based on the level of achievement of the established objectives.

iv. Finally, it is noted that Mr. Fernando Martinez Albacete, the representative of the director Amber Capital, was a member of Prisa's senior management until June 2017 and, due to the termination of his contract with the Company, he has received amounts in the form of non-competition agreement, until May 2018. These amounts are not included within the remuneration of the Managers (EUR 6,790 thousand), since they do not refer to payments received for having the status of member of senior management in 2018.

Transactions between Group employees, companies or entities-

The aggregate amount of EUR 2,157 thousand mainly consists of expenditure on leasing radio frequencies with investee companies, the financial cost impairment of the loans granted to certain companies of radio in USA and the financial cost for negative exchange rate differences generated by loans granted to associates.

The aggregate amount of EUR 2,155 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 29,693 thousand mainly consists of expenditure on telephony and Internet by Prisa Group companies with Telefónica, the expense by the leasing of offices in Tres Cantos with Telefónica, as well as finance costs derived from credits granted by major shareholders to Prisa Group companies, mainly the Refinancing expenses corresponding to HSBC Holding, PLC and Banco Santander, S.A. amounting to EUR 18,985 thousand *(see note 11b).*

The aggregate amount of EUR 4,515 thousand mainly consists of income of Prisa Group companies for advertising services with Banco Santander, S.A. and Telefónica.

The detail of other transactions performed with related parties in 2018 and 2017 is as follows (in thousands of euros):

	12.31.2018	12.31.2017	
	Significant shareholders	Significant shareholders	Group employees, companies or entities
Financing agreements: loans granted	-	-	130
Financing agreements: loans received	378,897	-	-
Commitments/Guarantees cancelled	-	250	-
Other transactions	8,810	2,222	-

Transactions between with significant shareholders -

The aggregate amount of EUR 378,897 thousand includes the loans granted by Banco Santander, S.A. and HSBC Holding, PLC within the framework of the Refinancing *(see note 11b).*

The aggregate amount of EUR 8,810 thousand in "*Other transactions*" includes the expenses of the capital increase corresponding to Banco Santander, S.A. registered in the heading "*Other reserves*" in the accompanying condensed consolidated balance sheet *(see note 10a).*

In addition to the foregoing, the capital increase described in note 10a was subscribed, among others, by some significant shareholders of the Company as of February 2018, as shown in its statements to the CNMV.

Likewise and according to information published on the website of the Comisión Nacional del Mercado de Valores ("CNMV"), the capital increase was subscribed by the following Prisa directors:

Directors' Name	Number of Direct Voting Rights suscribed	Number of Indirect Voting Rights suscribed
Manuel Mirat Santiago	65,879	0
Manuel Polanco Moreno	45,580	126,405 (through Olnacasco, S.L.)
Francisco Javier Monzón de Cáceres	60,049	0
Joseph Oughourlian	-	131,022,714 (through Amber Capital UK LLP)
Francisco Javier Gómez Navarro- Navarrete	7,102	0
Shk. Dr. Khalid bin Thani bin Abdullah Al-Thani	-	33,920,000 (through International Media Group, S.A.R.L.)

"Other transactions" with significant shareholders at December 31, 2017 included the interests accrued in 2017 by the issue of the mandatory convertible bond into shares.

21) REMUNERATION AND OTHER BENEFITS OF DIRECTORS

In 2018 and 2017, the companies of the Group registered the following amounts in respect of remuneration to Group's Board members:

	Thousands of euros	
	12/31/2018	12/31/2017
Compensation for belonging to the Board and/ or Board Committees	1,427	2,143
Salaries	653	2,247
Variable compensation in cash	326	1,993
Compensation systems based on shares	508	-
Indemnification	230	2,967
Other	9	154
Total	**3,153**	**9,504**

<u>Regarding the 2018 financial year</u>:

i) The aggregated remuneration of Pisa 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 2018 (IR) and in the Annual Report on Corporate Governance 2018 (IAGC), in which it is followed the criteria required by the "Circular 2/2018 of the CNMV, whereby the model of annual report remuneration of directors is established", which is not the accounting provision basis.

ii) The overall compensation of the Board of Directors includes the remuneration of Mr. John Paton, who ceased as directors in April 2018.

iii) Remuneration of Mr. Manuel Polanco Moreno (non-executive Chairman until December 31, 2018):

- Effective January 1, 2018, Mr. Manuel Polanco Moreno ceased as deputy executive chairman, becoming non-executive chairman of Prisa. The Board approved this appointment (December 2017), 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, which have been paid in 2018 but that are not included in the previous table since the accounting expense was recorded in the 2017 profit and loss account.

- In accordance with the Directors 'Remuneration Policy for the period 2018-2020, which was approved at the Ordinary Shareholders' Meeting held on April 25, 2018 and which is applicable with retroactive effect as of January 1, 2018 (the "Remuneration Policy"), Mr Manuel Polanco Moreno shall be entitled to receive a gross fixed annual remuneration of EUR 500 thousand in his capacity as a director and as the non-executive Board Chairman, which shall be paid in cash on prorated monthly basis. The remuneration corresponding to 2018, that is, EUR 500 thousand, has been recorded as follows: i) until the approval of the Remuneration Policy, Mr. Manuel Polanco has continued to receive the remuneration that corresponded to him for the mercantile service lease contract that he had with the Company, for a total amount of EUR 153 thousand which are registered within "salaries"; ii) the difference of up to EUR 500 thousand, that is, EUR 347 thousand, are registered under " Compensation for belonging to the Board and/ or Board Committees ".

- By resolution of the Board of Directors held in December 2018, Mr. Manuel Polanco Moreno has ceased as non-executive Chairman of Prisa as of January 1, 2019. In the table above there are EUR 230 thousand included within "Indemnification", for the non- compete agreement to which Mr. Polanco was entitled if his cease as President occurred before December 31, 2019, and in accordance with the terms provided.

iv) Within the variable remuneration in cash of the directors are included the following items (which amounts in some cases differ from those that are included in the IR and in the IAGC):

- Annual variable compensation (bonus): reflection of the amount corresponding to theoretical annual variable compensation of CEO Mr Manuel Mirat, sole executive director of the Company, if management objectives are achieved. However, since this compensation is subject to achievement of the management objectives at the end of the year 2018, 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 2017 bonus paid in April 2018 to the CEO.

v) At the Ordinary Shareholders' Meeting held on April 25, 2018, it was approved a Medium Term Incentive Plan for the period falling between 2018 and 2020, consisting of the award of Company shares linked to stock market value and to the performance of certain objectives, targeted at the CEO of Prisa and certain managers, who may receive a certain number of ordinary shares of the Company following a reference period of 3 years, provided that certain predefined requirements are met. The Company has assigned a certain number of restricted stock units ("Restricted Stock Units" or "RSUs") to each beneficiary, and specified the objectives (other than the quotation) that must be met in order to benefit from the incentive, which will serve as a reference to determine the final number of shares to be delivered, if is the case.

In 2018, an accounting expense of EUR 508 thousand was recorded for this item in relation to the CEO of Prisa. This expense is included within Compensation systems based on shares in the previous table. However, since this compensation is subject to achievement of the certain objectives, the accounting figure in no way constitutes acknowledgment that that variable compensation has accrued, which will occur, if at all, once the year 2020 is closed and the annual accounts of the Group are prepared, based on the level of achievement of the established objectives.

vi) Attendance fees: In the Remuneration Policy, the attendance fees for the Board and the Committees have been eliminated, effective as of January 1, 2018.

vii) No other credits, advances or loans occurred, nor were pension obligations incurred, in respect of the Board of Directors during 2018.

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 2018, 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 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
Manuel Mirat Santiago	Joint and Several Director of Canal Club de Distribución de Ocio y Cultura, S.A.		
Joseph Oughourlian	*See note below (*)*		
Shk. Dr. Khalid bin Thani bin Abdullah Al-Thani	Vice Chairman de Dar Al Sharq Printing Publishing & Distribution Co. Vice Chairman de Dar Al Arab Publishing & Distribution Co.		
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, 2018, the directors Manuel Mirat Santiago and Manuel Polanco Moreno were members of management bodies of certain companies in the Prisa Group or indirectly participated by Prisa.

22) GUARANTEE COMMITMENTS TO THIRD PARTIES

At December 31, 2018, the companies of Prisa Group had furnished bank guarantees amounting to EUR 62,084 thousand. For this amount, EUR 50,000 thousand correspond to the litigation for football rights of Audiovisual Sport, S.L. *(see note 24)*.

The Company's directors do not consider that significant impacts in the income statement of the Group will arise from the guarantees provided.

23) FUTURE COMMITMENTS

The Media Capital Group have entered into purchase and sale agreements with various suppliers for future program broadcasting rights These commitments partially cover the Media Capital Group companies' programming needs in the years indicated.

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 47,132 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 liability derived from this operation is registered in *"Current financial liabilities"* for an amount of EUR 35,987 thousands in the accompanying consolidated balance sheet at December 31, 2018 (on December 31, 2017 this commitment registered in the heading *"Other non- current liabilities"* and *"Other non-trade payables"* amounted to EUR 35,468 thousands and EUR 2,963 thousands, respectably).

Likewise also includes the agreement signed with Axion for using the radio frequencies which expires in June 2031. The expense for 2018 in this connection amounted to EUR 7,241 thousand (2017: EUR 7,389 thousand), recognized under *"Outside services"*

At December 31, 2017, the Group had euro and foreign currency payment obligations and collection rights for a net amount payable of approximately EUR 190,446 thousand. This amount not includes the future commitments derived by the operating leases, which are detailed in note 14. The net amounts payable in relation to these obligations fall due as follows:

Year	Thousands of euros
2019	63,113
2020	18,817
2021	19,395
2022	19,299
2023	8,531
2024 and subsequent years	61,291
	190,446

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 July 5 (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:

	12/31/2018	12/31/2017
	Days	
Average period of payment to suppliers	71	81
Ratio of settled transactions	73	80
Ratio of transactions pending payment	60	85
	Amount (thousands of euros)	
Total payments made	374,138	348,271
Total pending payments	68,348	49,383

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 2018 and 2017 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 continue reducing the average period of payment to suppliers to legally permitted levels, except in cases where specific agreements with suppliers exist which set further deferments.

24) ONGOING LITIGATIONS AND CLAIMS

A) Audiovisual Sport

(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 million 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 104.6 million. 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 of First Instance no. 36 gave a ruling rejecting Mediapro's claim and fully accepting AVS's objections. On February 2018, Mediapro filed an appeal against such ruling, which has been duly objected by AVS.

As a guarantee in that proceeding, the AVS's EUR 50,000 thousand security remains in deposit at the Court.

<u>(ii) AVS vs. Mediapro (Unjust enrichment)</u>

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. Deliberation, voting and ruling of this appeal was scheduled for February 8, 2019; nevertheless as of the date of formulation of these consolidated annual accounts no final resolution has been notified to the Company..

(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.

The Plaintiffs filed an appeal against this ruling, which has been objected by both AVS and DTS, before the Provincial Court of Madrid (*Audiencia Provincial)*. On November 12, 2018, the Provincial Court notified its judgement (dated on October 19, 2018) which still partially upholding the appeal, maintains the complete dismissal of the claim filed by Mediapro against the AVS and DTS.

AVS has filed, against the Provincial Court's judgement, an extraordinary appeal for procedural infringement and cassation appeal before the Supreme Court. Besides, both DTS and the Plaintiffs have filed a cassation appeal before the Supreme Court. None of these leaves to appeal have yet been granted.

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 some companies within Santillana Group. This proceeding is based in the CNMC's understanding that there were 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).

On November 21, 2018 CNMC issued an agreement denying the proposal for the conventional termination of the process. On December 7, 2018 Santillana Group filed an appeal against the aforementioned agreement, which is still pending resolution by CNMC.

On December 17, 2018, CNMC notified Santillana Group its draft resolution. Santillana Group has filed several objections against such draft resolution.

The companies within Santillana Group affected by the draft resolution issued by CNMC are: Grupo Santillana Educación Global, S.L. Santillana Educación, S.L., Ediciones Grazalema, S.L., Edicions Obradoiro, S.L., Edicions Voramar, S.A., Zubia Editoriala S.L. y Grup Promotor d'Ensenyament i Difusió en Catalá, S.L.

The procedure is pending resolution by the Council of the CNMC. According to the draft resolution, in the event that an unfavorable resolution is issued, the sanction could reach up to 6% of the turnover of Santillana in Spain.

Notwithstanding the above, Group's Directors and both internal and external legal advisors consider that the final resolution of this issue will have no negative event on the consolidated Financial Statements.

C) Other litigations

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.

25) EVENTS AFTER THE BALANCE SHEET DATE

On February 26, 2019, the Board of Directors approved the acquisition by Prisa Group of the remaining 25% of the share capital of Santillana currently controlled and held by DLJSAP Publishing Limited ("DLJ"), a company owned by funds managed or advised by Victoria Capital Partners.

In the same date, Prisa Activos Educativos, S.L. —a subsidiary wholly-owned by Prisa—and DLJ entered into a sale and purchase agreement in relation to the quotas representing 25% of the share capital of Santillana.

The price of the acquisition was a fixed amount of EUR 312.5 million (the "Total Consideration") which will be fully paid in cash.

The Total Consideration will be funded by Prisa through a combination of: (i) the proceeds of a capital increase by means of cash contributions, with preferential subscription rights, to be carried out in the amount and on the terms determined by the Board of Directors and (ii) cash available on the Company's balance sheet funded mainly from the net proceeds of the capital increase with preferential subscription rights carried out in February 2018.

The closing of the acquisition is subject to obtaining the required authorization from the Spanish competition authorities—which is expected to be notified immediately and obtained during March 2019—and to the execution of the capital increase above mentioned. Banco Santander, S.A. and Prisa have entered on the same date into an agreement, subject to customary terms of this kind of documents, whereby Banco Santander, S.A. has committed to underwrite the capital increase in an amount of up to EUR 200 million at a subscription price to be determined in the corresponding underwriting agreement.

On March 7, 2019, the authorization of the Spanish competition authorities was obtained.

26) EXPLANATION ADDED FOR TRANSLATION TO ENGLISH

These consolidated financial statements are presented on the basis of IFRSs as adopted by the European Union. Certain accounting practices applied by the Group that conform to IFRSs may not conform to other generally accepted accounting principles.

COMPANIES INCLUDED IN THE SCOPE OF CONSOLIDATION: DECEMBER 2018

APPENDIX I

COMPANY	REGISTERED OFFICE	LINE OF BUSINESS	COMPANY HOLDING THE OWNERSHIP INTEREST	December 2018	
				PERCENTAGE OF OWNERSHIP	TAX GROUP (*)
EDUCATION					
Full Consolidation					
Activa Educa, S.A. (Guatemala)	26 Avenida 2-20 zona 14 . Guatemala – Guatemala	Publishing	Santillana Educación Pacífico, S.L	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 Nº98-50 Oficina 501. Bogotá. Colombia	Publishing	Santillana Educación, S.L.	94,90%	
			Ítaca, S.L.	4,80%	
			Edicions Voramar, S.A.	0,10%	
			Edicions Obradoiro, S.L.	0,10%	
			Ediciones Grazalema, S.L.	0,10%	
Ediciones Grazalema, S.L.	Rafael Beca Mateos, 3. Sevilla	Publishing	Santillana Educación, S.L.	99,98%	2/91
			Ítaca, 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%	
			Ítaca, 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. 2 2º B. 15705. Santiago de Compostela	Publishing	Santillana Educación, S.L.	99,99%	2/91
			Ítaca, S.L.	0,01%	
Edicions Voramar, S.A.	Valencia, 44. 46210. Pincaya. Valencia	Publishing	Santillana Educación, S.L.	99,99%	2/91
			Ítaca, S.L.	0,01%	
Editora Moderna Ltda.	Rua Padre Adelino, 758. Belezinho. Sao Paulo. Brasil	Publishing	Santillana Educación, S.L.	100%	
			Ítaca, 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%	
			Ítaca, 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%	
			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%	
			Ítaca, S.L.	0,01%	
Editorial Santillana, S.A. (Honduras)	Colonia los Profesionales Boulevar Suyapa, Metropolis Torre 20501, Tegucigalpa Honduras	Publishing	Santillana Educación, S.L.	99,00%	
			Ítaca, 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%	
			Ítaca, S.L.	0,01%	
			Edicions Voramar, S.A.	0,01%	
			Edicions Obradoiro, S.L.	0,01%	
			Ediciones Grazalema, S.L.	0,01%	
			Grup Promotor D'Ensenyement i Difussió en Catalá, S.L.	0,01%	
			Ediciones Santillana Inc. (Pto. Rico)	0,01%	
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%	
			Ítaca, S.L.	0,05%	
Editorial Santillana, S.A.S (Colombia)	Edificio Punto 99, Carrera 11ª Nº98-50 Oficina 501. Bogotá. Colombia	Publishing	Santillana Educación, S.L.	94,90%	
			Ítaca, S.L.	5,10%	
			Edicions Voramar, S.A.	0,00%	
			Edicions Obradoiro, S.L.	0,00%	
			Ediciones Grazalema, S.L.	0,00%	
Educa Inventia, S.A. de C.V. (México)	Avenida Rio Mixcoac 274 Col Acacias. México DF. México	Publishing	Santillana Educación Pacífico, S.L	99,99%	
			Santillana Educación, S.L.	1 acción	
Educactiva Ediciones, S.A.S. (Colombia)	Avenida El Dorado No. 90 – 10 Bogotá, Colombia	Publishing	Santillana Educación, S.L.	100.00%	
Educactiva, S.A. (Chile)	Avenida Andrés Bello 2299 Oficina 1001 Providencia. Santiago Chile	Publishing	Santillana Educación Pacífico, S.L	93,52%	
			Santillana Educación, S.L.	6,48%	
Educactiva, S.A.C. (Perú)	Av. Manuel Olguin Nro. 215 Int. 501/ Los Granados/ Santiago de Surco/ Lima, Perú	Publishing	Santillana Educación Pacífico, S.L	99,99%	
			Santillana Educación, S.L.	1 acción	
Educactiva, S.A.S. (Colombia)	Avenida El Dorado No. 90 – 10 Bogotá, Colombia	Publishing	Santillana Educación Pacífico, S.L	87,12%	
			Santillana Educación, S.L.	12,88%	
Grup Promotor D'Ensenyement i Difussió en Catalá, S.L.	Frederic Mompou, 11. V. Olímpica. Barcelona	Publishing	Santillana Educación, S.L.	99,99%	2/91
			Ítaca, S.L.	0,01%	
Grupo Santillana Educación Global, S.L.	Av. de los Artesanos, 6 Tres Cantos. Madrid	Publishing	Prisa Activos Educativos, S.L.	75.00%	2/91

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

COMPANIES INCLUDED IN THE SCOPE OF CONSOLIDATION: DECEMBER 2018

APPENDIX I

COMPANY	REGISTERED OFFICE	LINE OF BUSINESS	COMPANY HOLDING THE OWNERSHIP INTEREST	December 2018 PERCENTAGE OF OWNERSHIP	December 2018 TAX GROUP (*)
Ítaca, S.L.	Av. de los Artesanos, 6 Tres Cantos. Madrid	Book distribution.	Grupo Santillana Educación Global, S.L. Santillana Educación, S.L.	99,99% 0,02%	2/91
Kapelusz Editora, S.A. (Argentina)	Leandro N. Alem. 720. Buenos Aires. 1001. Argentina	Publishing	Santillana Educación Pacífico, S.L Santillana Educación, S.L.	99,82% 0,18%	
Lanza, S.A. de C.V.	Avenida Rio Mixcoac 274 Col Acacias. México DF. México	Creation, development and management of companies.	Santillana Educación, S.L. Editorial Santillana, S.A. de C.V. (México)	100,00% 0,00%	
Pleno Internacional, SPA	Avenida Andres Bello N° 2299 Oficina 1001 Providencia - Santiago	Advice and consulting, development and sale of software	Santillana Del Pacífico, S.A.	70.00%	
Richmond Educação, Ltda.	Rua Padre Adelino, 758. Belezinho. Sao Paulo. Brasil	Publishing	Editora Moderna, Ltda. Ítaca, S.L.	100% 1 acción	
Richmond Publishing, S.A. de C.V.	Avenida Rio Mixcoac 274 Col Acacias. México DF. México	Publishing	Lanza, S.A. de C.V. Editorial Santillana, S.A. de C.V. (México)	99,98% 0,02%	
Salamandra Editorial, Ltda.	Rua Urbano Santos 755, Sao Paulo. Brasil	Publishing	Editora Moderna, Ltda. Ítaca, S.L.	100,00% 1 acción	
Santillana Administraçao de Biens, LTDA	Rua Padre Adelino, 758. Belezinho. Sao Paulo (Brasil)	Assets management.	Santillana Educación, S.L. Ítaca, S.L.	100,00% 1 acción	
Santillana de Ediciones, S.A. (Bolivia)	Calle 13, Nº 8078. Zona de Calacoto. La Paz. Bolivia	Publishing	Santillana Educación, S.L. Ed. Grazalema, S.L. Ítaca, S.L.	99,70% 0,15% 0,15%	
Santillana del Pacífico, S.A. de Ediciones.	Avenida Andres Bello 2299 Oficina 1001-1002 Providencia. Santiago Chile	Publishing	Santillana Educación, S.L. Ítaca, S.L.	100,00% 1 acción	
Santillana Editores, S.A.	R. Mario Castelhano, 40 - Queluz de Baixo - 2734-502 Baracarena - Portugal	Publishing	Santillana Educación, S.L.	100.00%	
Santillana Educación Pacífico, S.L. *(Before Grupo Pacifico, S.A. (Panamá))*	Av. De los Artesanos 6. 28760, Tres Cantos, Madrid.	Publishing	Santillana Educación, S.L. Ítaca, S.L.	100,00% 0,00%	2/91
Santillana Educación, S.L.	Av. de los Artesanos, 6 Tres Cantos. Madrid	Publishing	Grupo Santillana Educación Global, S.L. Ítaca, S.L.	100,00% 1 acción	2/91
Santillana Formación, S.L.	Av. de los Artesanos, 6 Tres Cantos. Madrid	Online Training.	Grupo Santillana Educación Global, S.L. Ítaca, S.L.	99,99% 0,00%	2/91
Santillana Global, S.L.	Av. de los Artesanos, 6 Tres Cantos. Madrid	Publishing	Grupo Santillana Educación Global, S.L. Ítaca, S.L.	100,00% 1 acción	2/91
Santillana Infantil y Juvenil, S.L.	Av. de los Artesanos, 6 Tres Cantos. Madrid	Publishing	Santillana Educación, S.L. Edicions Obradoiro, S.L.	100,00% 1 acción	2/91
Santillana Sistemas Educativos, Ltda. (Colombia)	Edificio Punto 99, Carrera 11ª Nº98-50 Oficina 501. Bogotá. Colombia	Produce, market and distribute all kinds of training, training, advice and consultancy	Santillana Sistemas Educativos, S.L. Distribuidora y Editora Richmond S.A.	94,46% 5,54%	
Santillana Sistemas Educativos, S.L.	Av. de los Artesanos, 6 Tres Cantos. Madrid	Publishing	Grupo Santillana Educación Global, S.L. Ítaca, S.L.	99,99% 0,01%	2/91
Santillana, S.A. (Costa Rica)	La Uruca. 200 m Oeste de Aviación Civil. San José. Costa Rica	Publishing	Santillana Educación, S.L. Ítaca, S.L.	99,99% 0,01%	
Santillana, S.A. (Ecuador)	Calle De las Higueras 118 y Julio Arellano. Quito. Ecuador	Publishing	Santillana Educación, S.L. Ítaca, S.L.	100,00% 1 acción	
Santillana, S.A. (Paraguay)	Avenida Venezuela. 276. Asunción. Paraguay	Publishing	Santillana Educación, S.L. Ediciones Santillana, S.A. (Argentina)	99,89% 0,11%	
Santillana, S.A. (Perú)	Avenida Primavera 2160. Santiago de Surco. Lima. Perú	Publishing	Santillana Educación, S.L.	95.00%	
Sistemas Educativos de Enseñanza, S.A. de C.V.	Avenida Rio Mixcoac 274 Col Acacias. México DF. México	Publishing	Santillana Sistemas Educativos, S.L. Lanza, S.A. de C.V. Nuevo México, S.A. de C.V.	99,98% 0,02% 1 acción	
Soluçoes Inovadoras em Educaçao LTDA. (SIEDUC) *(Before Uno Educação Ltda.)*	Rua Padre Adelino, 758. Belezinho. Sao Paulo. Brasil	Publishing	Editora Moderna, Ltda. Ítaca, S.L.	100,00% 1 acción	
Vanguardia Educativa Santillana Compartir, S.A. de C.V.	Avenida Rio Mixcoac 274 Col Acacias. México DF. México	Publishing	Editorial Santillana, S.A. de C.V. Lanza, S.A. de C.V.	70,00% 30,00%	
Zubia Editoriala, S.L.	Polígono Lezama Leguizamon. Calle 31. Etxebarri. Vizcaya	Publishing	Santillana Educación, S.L. Ítaca, S.L.	99,90% 0,10%	2/91

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

COMPANIES INCLUDED IN THE SCOPE OF CONSOLIDATION: DECEMBER 2018

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COMPANY	REGISTERED OFFICE	LINE OF BUSINESS	COMPANY HOLDING THE OWNERSHIP INTEREST	December 2018	
				PERCENTAGE OF OWNERSHIP	TAX GROUP (*)
RADIO					
RADIO SPAIN					
Full Consolidation					
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%	
Gran Vía Musical de Ediciones, S.L.	Gran Vía, 32. Madrid	Provision of music services	Prisa Radio, S.A.	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)	94.74%	
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 business radio services	Prisa Activos Radiofónicos, S.L.	73,49%	2/91
			Prisa Radio, S.A.	2,03%	
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)	99,89%	
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)	66.50%	
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%	
Societat de Comunicacio i Publicidat, 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)	99,00%	
			Unión Radio del Pirineu, S.A.	1,00%	
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%	
Equity method					
Laudio Irratia, S.L.	Pol.Industrial Ed.Cermámica 1.Alava	Operation of radio broadcasting stations.	Sociedad Española de Radiodifusión, S.L.(Sociedad Unipersonal)	26.43%	
Planet Events, S.A.	Gran Vía, 32. Madrid	Production and organization of shows and events	Prisa Radio, S.A.	40.00%	
Radio Jaén, S.L.	Obispo Aguilar, 1. Jaén	Operation of radio broadcasting stations.	Sociedad Española de Radiodifusión, S.L.(Sociedad Unipersonal)	35.99%	
Unión Radio del Pirineu, S.A.	Carrer Prat del Creu, 32. Andorra	Operation of radio broadcasting stations.	Prisa Radio, S.A.	33.00%	

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COMPANY	REGISTERED OFFICE	LINE OF BUSINESS	COMPANY HOLDING THE OWNERSHIP INTEREST	December 2018	
				PERCENTAGE OF OWNERSHIP	TAX GROUP (*)
INTERNATIONAL RADIO					
Full Consolidation					
Abril, S.A.	Eliodoro Yañex. Nº 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. Nº 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. Nº 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.	2100 Coral Way - Miami 33145 - Florida, EE.UU.	Operation of radio broadcasting stations.	GLR Services Inc.	100.00%	
Caracol Estéreo, S.A.	Calle 67 Nº 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	
Caracol, S.A.	Calle 67 Nº 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 de Eventos y Deportes, S.A.S. *(Before Prisa Música América, S.A.S.)*	Calle 67 Nº 7-37 Piso 7 Bogotá. Colombia	Production and organization of shows and events	Sociedad Española de Radiodifusión, S.L.(Sociedad Unipersonal)	100.00%	
Comercializadora Iberoamericana Radio Chile, S.A.	Eliodoro Yañex. Nº 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)	99,84% 0,16%	
Compañía de Comunicaciones de Colombia C.C.C. Ltda.	Calle 67 Nº 7-37 Piso 7 Bogotá. Colombia	Commercial radio broadcasting services.	Caracol, S.A. 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.	43,45% 19,27% 16,72% 11,13% 4,42%	
Compañía de Radios, S.A.	Eliodoro Yañex. Nº 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 Pacífico, S.A.	Eliodoro Yañex. Nº 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. Nº 1783. Comuna Providencia Santiago. Chile	Operation and management of TV channels and radio stations.	Sociedad Radiodifusora del Norte, Ltda. Iberoamericana Radio Chile, S.A.	75,00% 25,00%	
Consorcio Radial de Panamá, S.A	Urbanización Obarrio, Calle 54 Edificio Caracol. Panamá	Consulting services and marketing of products and services	Sociedad Española de Radiodifusión, S.L.(Sociedad Unipersonal)	100.00%	
Corporación Argentina de Radiodifusión, S.A.	Rivadavia 835. Ciudad Autónoma de 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. Nº 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. Nº 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. Nº 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 Chile, Ltda. (*)	Eliodoro Yañex. Nº 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 Colombia, Ltda.	Calle 67. Nº 7-37. Piso 7. Bogotá. Colombia	Provision of services to radio broadcasting companies.	Sociedad Española de Radiodifusión, S.L.(Sociedad Unipersonal) Prisa Participadas, S.L.	99,00% 1,00%	
GLR Services Inc.	2100 Coral Way - Miami 33145 - Florida, EE.UU.	Operation of radio broadcasting stations.	Sociedad Española de Radiodifusión, S.L.(Sociedad Unipersonal)	100.00%	
Iberoamerican Radio Holding Chile, S.A.	Eliodoro Yañex. Nº 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%	
Iberoamericana Radio Chile, S.A.	Eliodoro Yañex. Nº 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. Nº 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. Nº 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. Nº 1783. Comuna Providencia Santiago. Chile	Radio, television, systems, operation of radio concessions and technical services	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. Nº 1783. Comuna Providencia Santiago. Chile	Holding	Iberoamericana Radio Chile S.A. Sociedad Española de Radiodifusión, S.L.(Sociedad Unipersonal)	100,00% 0,00%	

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COMPANY	REGISTERED OFFICE	LINE OF BUSINESS	COMPANY HOLDING THE OWNERSHIP INTEREST	December 2018 PERCENTAGE OF OWNERSHIP	TAX GROUP (*)
Radio Mercadeo, Ltda.	Calle 67. Nº 7-37. Piso 7. Bogotá. Colombia	Commercial radio broadcasting services.	Sociedad Española de Radiodifusión, S.L.(Sociedad Unipersonal)	48,40%	
			Caracol, S.A.	29,85%	
			Caracol Estéreo, S.A.	0,35%	
			Emisora Mil Veinte, S.A.	0,35%	
			Promotora de Publicidad Radial, S.A.	0,35%	
			Ecos de la Montaña Cadena Radial Andina, S.A.	0,01%	
Sociedad de Radiodifusión El Litoral, S.L.	Eliodoro Yañex. Nº 1783. Comuna Providencia Santiago. Chile	Exploitation of media and communications services, exploitation of radio concessions	Iberoamericana Radio Chile, S.A.	99,9%	
			Comercializadora Iberoamericana Radio Chile, S.A.	0,10%	
Sociedad Radiodifusora del Norte, Ltda.	Eliodoro Yañex. Nº 1783. Comuna Providencia Santiago. Chile	Operation of radio and television broadcasts	Comercializadora Iberoamericana Radio Chile, S.A.	80,00%	
			Iberoamericana Radio Chile S.A	20,00%	
Equity method					
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.	100.00%	
Cadena Radiópolis, S.A. de C.V.	Calzada de Tlalpan número 3000, Colonia Espartaco, Delegación Coyoacán, Código Postal 04870, Ciudad de México.	Providing all kinds of public telecommunications and broadcasting services.	Sistema Radiópolis, S.A. de C.V.	99,90%	
			Cadena Radiodifusora Mexicana, S.A. de C.V.	0,10%	
El Dorado Broadcasting Corporation	2100 Coral Way. Miami. Florida. EE.UU.	Development of the market of Latin radio in the U.S.	GLR Services INC.	25.00%	
Green Emerald Business Inc.	Vía España 177, Ed. PH Plaza Regency, planta 15. Ciudad de Panamá. Panamá	Development of the market of Latin radio in Panama	Sociedad Española de Radiodifusión, S.L.(Sociedad Unipersonal)	34.95%	
Multimedios GLP Chile SPA	Av. Andrés Bello 2325 Piso 9, Providencia	Exploitation of media and communication services	Iberoamericana Radio Chile, S.A.	50.00%	
Promotora Radial del Llano, LTDA	Calle 67 Nº 7-37 Piso 7 Bogotá. Colombia	Commercial broadcasting services	Caracol, S.A.	25,00%	
			Promotora de Publicidad Radial, S.A.	25,00%	
Q'Hubo Radio, S.A.S	CL 57 No 17 – 48 Bogotá, Colombia	Operation of the business of broadcasting and advertising in all aspects.	Caracol, S.A.	50.00%	
Radio Comerciales, S.A. de C.V.	Rubén Darío nº 158. Guadalajara. México	Exploitation of broadcasting stations	Sistema Radiópolis, S.A. de C.V.	99,97%	
Radio Melodía, S.A. de C.V.	Rubén Darío nº 158. Guadalajara. México	Operation of radio broadcasting stations.	Cadena Radiodifusora Mexicana, S.A. de C.V.	99,00%	
Radio Tapatía, S.A. de C.V.	Rubén Darío nº 158. Guadalajara. México	Operation of radio broadcasting stations.	Cadena Radiodifusora Mexicana, S.A. de C.V.	99,00%	
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.	100.00%	
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.	100,00%	
			Radio Comerciales, S.A. de C.V.	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.	100,00%	
			Radio Comerciales, S.A. de C.V.	0,00%	
Sistema Radiópolis, S.A. de C.V. (**)	Calzada de Tlalpan 3000 col Espartaco México D.F. 04870. México	Operation of radio broadcasting stations.	Sociedad Española de Radiodifusión, S.L.(Sociedad Unipersonal)	50.00%	
WSUA Broadcasting Corporation	2100 Coral Way. Miami. Florida. EE.UU.	Radio broadcasting.	El Dorado Broadcasting Corporation	100.00%	
Xezz, S.A. de C.V.	Rubén Darío nº 158. Guadalajara. México	Operation of radio broadcasting stations.	Cadena Radiodifusora Mexicana, S.A. de C.V.	99,00%	

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

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COMPANY	REGISTERED OFFICE	LINE OF BUSINESS	COMPANY HOLDING THE OWNERSHIP INTEREST	December 2018	
				PERCENTAGE OF OWNERSHIP	TAX GROUP (*)
PRESS					
Full Consolidation					
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, nª 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%	
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 Publicaçoes, 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%	
Diario El País, S.L.	Miguel Yuste, 40. Madrid	Publication and operation of El País newspaper.	Prisa Noticias, S.L.	100.00%	2/91
Distribuciones Aliadas, S.A.	Polígono Industrial La Isla. Parcela 53. 41700 Dos Hermanas. Sevilla	Printing of publishing products.	Prisaprint, 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% 0,00%	
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 explotation 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 Días newspaper.	Grupo de Medios Impresos y Digitales, S.L	100.00%	2/91
Factoría Prisa Noticias, S.L. *(Before 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
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
Norprensa, S.A.	Parque Empresarial IN-F. Calle Costureiras. s/n 27003. Lugo	Printing of publishing products.	Prisaprint, S.L.	100.00%	2/91
Noticias AS México S.A. de C.V.	México DF	Publication and operation of As newspaper in Mexico.	Diario As, S.L. Prisa Noticias, S.L.	99,00% 1,00%	
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 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%	
Prisa Noticias, S.L.	Gran Vía, 32. Madrid	Operation of press media.	Promotora de Informaciones, S.A.	100.00%	2/91
Prisaprint, S.L.	Gran Vía, 32. Madrid	Management of printing companies.	Prisa Noticias, S.L.	100.00%	2/91
Promotora General de Revistas, S.A.	Valentín Beato, 48. Madrid	Publication production and operation of magazines.	Grupo de Medios Impresos y Digitales, S.L Promotora de Informaciones, S.A.	99,96% 0,04%	2/91
Equity method					
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%	
Kioskoymás, Sociedad Gestora de la Plataforma Tecnológica, S.L. (1)	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. París	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 October 2018
(2) Datos a December de 2017

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COMPANY	REGISTERED OFFICE	LINE OF BUSINESS	COMPANY HOLDING THE OWNERSHIP INTEREST	December 2018 PERCENTAGE OF OWNERSHIP	December 2018 TAX GROUP (*)
MEDIA CAPITAL					
Full Consolidation					
Argumentos para Audiovisual, Lda. (CASA DA CRIAÇAO)	Rua Mário Castelhano, nº 40, Queluz de Baixo 2734 506 Barcarena. Portugal	Creation, development, translation and adaptation of texts and ideas for television, movies, entertainment, advertising, and theatre programs.	Plural Entertainment Portugal, S.A.	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%	
CLMC-Multimedia, Unipessoal, Ltda.	Rua Mário Castelhano, 40, Queluz de Baixo 2734 502 Barcarena. Portugal	Provision of production and exploitation commercial activities motion picture, video, radio, television, audiovisual and multimedia.	Media Global, SGPS, S.A.(MEGLO)	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 marketing of radio productions and related activities. Promotion of cultural and musical 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 of broadcasting in the domains of the production and broadcasting of programmes.	Produçoes 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 Castelhano, nº 40, Queluz de Baixo 2734 502 Barcarena. Portugal	Purchase, sale and rental of audiovisual equipment (cameras, videos, special equipment for filming and lighting, cranes, Rails, etc.).	Plural Entertainment Portugal, S.A.	100.00%	
Empresa Portuguesa de Cenários, Lda. (EPC)	Rua Mário Castelhano, nº 40, Queluz de Baixo 2734 502 Barcarena. Portugal	Design, construction and installation of furnishings.	Plural Entertainment Portugal, S.A.	100.00%	
Grupo Media Capital, SGPS, S. A.	Rua Mário Castlhano nº 40. Queluz de Baixo. Portugal	Holding of shares in companies.	Vertix, SGPS, S.A	94.69%	
Leirimedia, Produçoes e Publicidade, LDA	Rua Sampaio e Pina, nº 24-26 1070 249 Lisboa. Portugal	Production and realization of programs of radio shows, advertising, promotions and representations.	Emissoes de Radiodifusao, S.A. (RADIO REGIONAL DE LISBOA)	100.00%	
Media Capital Digital, S.A	Rua Mário Castelhano. Nº 40. 2734-502. Barcarena. Portugal	Publication, multimedia production, distribution, consulting, marketing (mail, telephone or other) of goods and services; as well as the acquisition, supply, production 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 Castelhano. Nº 40. 2734-502. Barcarena. Portugal	Publication, printing and reproduction of recorded media: magazines, audio editing, video playback; and provision of services related to music, radio, television, cinema, theatre and literary magazines.	Media Global, SGPS, S.A. (MEGLO)	100.00%	
Media Capital Produçoes, S.A. (MCP)	Rua Mário Castelhano. Nº 40. 2734-502. Barcarena. Portugal	Concept, design, development, production, promotion, marketing, acquisition, exploration rights, registration, distribution and broadcasting of audiovisual media.	Media Global, SGPS, S.A. (MEGLO)	100.00%	
Media Capital Rádios, S.A (MCR II)	Rua Mário Castelhano. Nº 40. 2734-502. Barcarena. Portugal	Provision of services in consulting and economic areas and the monitoring and management of other units of the group or the activity of broadcasting in the fields of the production and broadcasting of radio programmes in the companies of the Group; prospecting of markets; services of promotion, marketing and advertising for broadcasting activity collection; activity of broadcasting in the fields of production and broadcast.	Media Global, SGPS, S.A. (MEGLO)	100.00%	
Media Global, SGPS, S.A. (MEGLO)	Rua Mário Castelhano. Nº 40. 2734-502. Barcarena. Portugal	Holding of shares in companies.	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%	
NOTIMAIA-Publicações e Comunicações, S.A.	Rua Sampaio e Pina, nºs 24/26 1099 044 Lisboa. Portugal	The activity of broadcasting, as well as the publication of newspapers and magazines.	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.	Media Capital Produçoes, S.A. (MCP)	100.00%	2/91
Plural Entertainment Inc.	1680 Michigan Avenue. Suite 730. Miami Beach. EE.UU.	Production and distribution of audiovisual.	Plural Entertainment España, S.L.	100.00%	
Plural Entertainment Portugal, S.A.	Rua Mário Castelhano, nº 40, Queluz de Baixo 2730 120 Barcarena. Portugal	Production of video and cinema, organization of performances, sound and lighting, advertising, marketing and representation of recorded videos.	Media Capital Produçoes, S.A. (MCP)	100.00%	
Polimedia - Publicidade e Publicaçoes, Lda.	Rua Sampaio e Pina, nº 24-26 1070 249 Lisboa. Portugal	Broadcasting in the fields of production and transmission of programs.	Emissoes de Radiodifusao, S.A. (RADIO REGIONAL DE LISBOA)	100.00%	
PRC Produçoes Radiofonicas de Coimbra,Lda.	Rua Sampaio e Pina, nºs 24-26 1070 249 Lisboa. Portugal	Production of film, video and television programs.	Emissoes de Radiodifusao, S.A. (RADIO REGIONAL DE LISBOA)	100.00%	
Produçao de Eventos, Lda. (MEDIA CAPITAL ENTERTAINMENT)	Rua Mário Castelhano. Nº 40. 2734-502. Barcarena. Portugal	Publication, printing and reproduction of recorded media: magazines, audio editing, video playback; and provision of services related to music, radio, television, cinema, theatre and literary magazines.	Media Capital Música e Entretenimento, S.A (MCME)	100.00%	

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

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				PERCENTAGE OF OWNERSHIP	TAX GROUP (*)
Flor Do Éter Radiodifusão, Lda.	Rua Sampaio e Pina, nºs 24-26 1099 044 Lisboa. Portugal	Production, preparation and marketing of cultural and recreational, sports and news programs by radio and audiovisual, media promotion of exhibitions and cultural and artistic conferences, mounting and equipment of sound e image.	Produçoes Audiovisuais, S.A. (RADIO CIDADE)	100.00%	
Producciones Audiovisuales, S.A. (NBP IBÉRICA)	Almagro 13. 1º Izquierda. 28010. Madrid	Inactive.	Plural Entertainment Portugal, S.A.	100.00%	
Produçoes Audiovisuais, S.A. (RADIO CIDADE)	Rua Sampaio e Pina. 24/26. 1099-044. Lisboa. Portugal	Broadcasting, production of advertising spots in audio or video advertising, production and recording. Development and production of radio programmes.	Media Capital Rádios, S.A (MCR II)	100.00%	
R 2000 - Comunicaçao Social, Lda.	Rua Sampaio e Pina. 24/26. 1070-249. Lisboa. Portugal	Broadcasting in the fields of production and transmission of programs.	Produçoes Audiovisuais, S.A. (RADIO CIDADE)	100.00%	
R.C. - Empresa de Radiodifusão, Unipessoal, Lda.	Rua Sampaio e Pina, nºs 24-26 1099 044 Lisboa. Portugal	Broadcasting, creation, development, production, recording and marketing of radio productions and related activities. Promotion of musical and cultural events.	Emissoes de Radiodifusao, S.A. (RADIO REGIONAL DE LISBOA)	100.00%	
Radio Comercial, S.A. (COMERCIAL)	Rua Sampaio e Pina. 24/26. 1070-249. Lisboa. Portugal	Broadcasting in the fields of production and transmission of programs.	Media Capital Rádios, S.A (MCR II)	100.00%	
Rádio do Concelho de Cantanhede.Lda.	Rua Sampaio e Pina, nºs 24-26 1099 044 Lisboa. Portugal	Broadcasting in the fields of production and transmission of programs.	Radio Comercial, S.A. (COMERCIAL)	100.00%	
Rádio Litoral Centro, Empresa de Radiodifusao, Lda.	Rua Sampaio e Pina, 24-2 1099 044 Lisboa. Portugal	Exploitation of stations broadcasting, collection, selection and dissemination of information and cultural, recreational and advertising programs by audiovisual, radio 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, nºs 24-26 1099 044 Lisboa. Portugal	Broadcasting activity, as well as the provision 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, nºs 24-26 1099 044 Lisboa. Portugal	Production and broadcasting of radio training, informational, recreational and cultural programs.	Produçoes Audiovisuais, S.A. (RADIO CIDADE)	100.00%	
Rádio XXI, Lda. (XXI)	Rua Sampaio e Pina. 24/26. 1099-044. Lisboa. Portugal	Broadcasting in the fields of production and transmission of programs.	Radio Comercial, S.A. (COMERCIAL)	100.00%	
Serviços de Consultoria e Gestao, S.A. (MEDIA CAPITAL SERVIÇOS)	Rua Mário Castelhano. Nº 40. 2734-502. Barcarena. Portugal	Advisory, guidance and operational assistance to companies or organizations in public relations.	Media Global, SGPS, S.A. (MEGLO)	100.00%	
Serviços de Internet, S.A. (IOL NEGÓCIOS)	Rua Mário Castelhano, 40, Queluz de Baixo 2734 502 Barcarena. Portugal	Services, publication and marketing of goods and electronic services. Publication, production and distribution in media activities.	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 and transmission of programs.	Radio Comercial, S.A. (COMERCIAL)	100.00%	
Sociedade de Produçao e Edição Audiovisual, Lda (FAROL MÚSICA)	Rua Mário Castelhano. Nº 40. 2734-502. Barcarena. Portugal	Production of storage, phonograms, audiovisual media and multimedia.	Media Capital Música e Entretenimento, S.A (MCME)	100.00%	
Televisao Independente, S.A. (TVI)	Rua Mário Castelhano. Nº 40. 2734-502. Barcarena. Portugal	Exercise of any activity in television, such as install, manage, and operate any infrastructure or television station.	Media Global, SGPS, S.A. (MEGLO)	100.00%	
Tesela Producciones Cinematográficas, S.L.	Gran Vía, 32. Madrid	Production and distribution of audiovisual.	Plural Entertainment España, S.L.	100.00%	2/91

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

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COMPANY	REGISTERED OFFICE	LINE OF BUSINESS	COMPANY HOLDING THE OWNERSHIP INTEREST	December 2018 PERCENTAGE OF OWNERSHIP	December 2018 TAX GROUP (*)
OTHERS					
Full Consolidation					
Audiovisual Sport, S.L	Av. de los Artesanos, 6 Tres Cantos. Madrid	Management and distribution of audiovisual rights.	Prisa Participadas, S.L.	80.00%	2/91
Fullscreen Solutions, S.A. de C.V.	Montecito 38 Piso 6 Oficina 24 Col. Nápoles Del. Benito Juarez Ciudad de México 03100	Marketing advertising video.	Prisa Brand Solutions USA, Inc. Prisa Brand Solutions, S.L. (Sociedad Unipersonal)	84,00% 1,00%	
Grupo Latino de Publicidad Colombia, SAS	Carrera 9, 9907 Oficina 1200. Bogotá. Colombia	Exploitation and marketing advertising of any kind	Prisa Participadas, S.L.	100.00%	
Málaga Altavisión, S.A.	Paseo de Reding, 7. Málaga	Production and broadcast of videos and television programs	Prisa Participadas, S.L.	87.24%	2/91
Mobvious Corp.	2600 Douglas Road Suite 502 Coral Gables Miami Florida USA 33134	Marketer's advertising in digital media.	Prisa Brand Solutions USA, Inc.	60.00%	
Plural Entertainment Canarias, S.L.	Dársena Pesquera. Edificio Plató del Atlántico. San Andrés 38180. Santa Cruz de Tenerife	Production and distribution of audiovisual	Prisa Participadas, S.L.	100.00%	2/91
Prisa Activos Educativos, S.L.	Gran Vía, 32. Madrid	The realization of the activities inherent to the publishing business in its broadest sense and, in particular, editing marketing and distribution of all kinds of publications and the provision of editorial, education, leisure services and entertainment.	Promotora de Informaciones, S.A.	100.00%	2/91
Prisa Activos Radiofónicos, S.L.	Gran Vía, 32. Madrid	The allowance, or self-employed, of any kind of services, directly or indirectly, related broadcasting. Advice and provision of services to media companies in the field of advertising, programming, administration, marketing and technical issues, computer and commercial and any other related activity. Production, operation and management-account or self-employed, by whatever means, of all kinds of programs and radio and audiovisual products.	Promotora de Informaciones, S.A.	100.00%	2/91
Prisa Brand Solutions USA, Inc. *(Before Prisa Digital Inc.)*	2100 Coral Way. Suite 200. Miami. Florida. 33145. EE.UU.	Marketer of advertising in media.	Prisa Brand Solutions, S.L. (Sociedad Unipersonal)	100.00%	
Prisa Brand Solutions, S.L. (Sociedad Unipersonal)	C/ Valentín Beato, 48. Madrid	Marketer of advertising in media.	Prisa Participadas, S.L.	100.00%	2/91
Prisa Gestión de Servicios, S.L.	Gran Vía, 32. Madrid	Management and development of all types of administrative, accounting, financial, personnel, legal and human resources selection tasks.	Prisa Participadas, S.L.	100.00%	2/91
Prisa Gestión Financiera, S.L. *(Before Santillana Canarias, S.L.)*	Gran Vía, 32. Madrid	Management and exploitation of information and social communication media whatever their technical support. The action in the capital and monetary market.	Promotora de Informaciones, S.A.	100.00%	2/91
Prisa Inc. (En liquidación)	2100 Coral Way Suite 200 Miami 33145 U.S.A.	Management of companies in the USA and North America	Prisa Participadas, S.L.	100.00%	
Prisa Participadas, S.L.	Gran Vía, 32. Madrid	Management and exploitation of audiovisual and printed mass media, participation in companies and businesses, and providing all kinds of services.	Promotora de Informaciones, S.A.	100.00%	2/91
Prisa Producciones de Vídeo, S.L.	Gran Vía, 32. Madrid	Production, distribution and audiovisual marketing.	Prisa Participadas, S.L.	100.00%	2/91
Prisa Tecnología, S.L.	Gran Vía, 32. Madrid	Provision of internet services.	Prisa Participadas, S.L.	100.00%	2/91
Productora Audiovisual de Badajoz, S.A.	Ramón Albarrán, 2. Badajoz	Local television services	Prisa Participadas, S.L.	61.45%	
Productora Extremeña de Televisión, S.A.	J. M. R. "Azorín". Edificio Zeus. Polígono La Corchera. Mérida. Badajoz	Local television services	Prisa Participadas, S.L.	70.00%	
Promotora de Actividades América 2010 - México, S.A. de C.V.	Avenida Paseo de la Reforma 300. Piso 9. Col. Juárez. 06600. México. D.F. México	Development, coordination and management of projects of all kinds, national and international, related to the commemoration of the bicentenary of the independence of the American Nations	Promotora de Actividades América 2010, S.L. Prisa Participadas, S.L.	100,00% 1 acción	
Promotora de Actividades América 2010, S.L. *(In liquidation)*	Gran Vía, 32. Madrid	Production and organization of activities and projects related to the commemoration of the bicentenary of the independence of the American Nations.	Promotora de Informaciones, S.A.	100.00%	2/91
Promotora de Actividades Audiovisuales de Colombia, Ltda.	Calle 80, 10 23 . Bogotá. Colombia	Production and distribution of audiovisual	Prisa Participadas, S.L. Promotora de Informaciones, S.A.	99,00% 1,00%	
Starm Interactiva, S.A. de C.V.	Montecito 38 Piso 6 Oficina 24 Col. Nápoles Del. Benito Juarez Ciudad de México 03100	Marketer's advertising in digital media.	Prisa Brand Solutions USA, Inc. Prisa Brand Solutions, S.L. (Sociedad Unipersonal)	99,99% 0,01%	
Vertix, SGPS, S.A.	Rua Mario Castelhano, nº 40, Queluz de Baixo. Portugal	Holding of shares in companies.	Promotora de Informaciones, S.A.	100.00%	
Equity method					
Canal Club de Distribución de Ocio y Cultura, S.A.	Calle Hermosilla, 112. Madrid	Catalogue sales.	Promotora de informaciones,S.A.	25.00%	
Chip Audiovisual, S.A. (¹)	Coso, 100 . Planta 3ª puerta 4-50001. Zaragoza	Audiovisual productions for television programming	Factoria Plural,S.L.	50.00%	
Factoría Plural, S.L. (¹)	Calle Biarritz, 2. 50017 Zaragoza	Production, preparation and distribution of audiovisual	Prisa Participadas, S.L.	15.00%	
Productora Canaria de Programas, S.A. (¹)	Enrique Wolfson, 17. Santa Cruz de Tenerife	Development of a TV channel for promotion of Canary Islands	Prisa Participadas, S.L.	40.00%	
Sociedad Canaria de Televisión Regional, S.A.	Avenida de Madrid s/n. Santa Cruz de Tenerife	Audiovisual productions for TV programming	Prisa Participadas, S.L.	40.00%	

(*) Consolidated tax Group Promotora de Informaciones, S.A.: 2/91
(¹) Information to November 2018

KEY FINANCIAL AGGREGATES OF THE COMPANIES ACCOUNTED FOR USING THE EQUITY METHOD

APPENDIX II

INVESTEE	December 2018							
	TOTAL ASSETS	CURRENTS ASSETS	NON CURRENT ASSETS	CURRENT LIABILITIES	NON CURRENT LIABILITIES	EQUITY	OPERATING INCOME	NET PROFIT
(Thousands of euros)								
PRESS								
As Arabia For Marketing, W.L.L.	275	234	41	868	0	(676)	22	(634)
Kioskoymás, Sociedad Gestora de la Plataforma Tecnológica, S.L. (1)	1,001	902	99	890	0	(529)	527	83
Le Monde Libre (2)	128,627	268	128,359	146,263	0	(17,636)	0	(1,697)
RADIO								
RADIO IN SPAIN								
Laudio Irratia, S.L.	312	228	84	24	26	262	193	22
Planet Events, S.A.	3,034	2,991	43	2,718	1	315	14,583	2,465
Radio Jaén, S.L.	1,416	862	554	282	0	1,133	1,298	117
Unión Radio del Pirineu, S.A.	490	463	26	209	0	281	351	(44)
INTERNATIONAL RADIO								
Cadena Radiodifusora Mexicana, S.A. de C.V.	32,282	25,162	7,120	20,298	3,488	8,497	39,740	7,003
Cadena Radiópolis, S.A. de C.V.	6,071	1,702	4,369	404	0	5,667	62	216
El Dorado Broadcasting Corporation	524	0	524	2,029	0	(1,504)	0	0
Green Emerald Business Inc.	1,523	991	531	1,936	6,661	(7,074)	1,811	(834)
Multimedios GLP Chile SPA	(0)	530	135	2,395	0	(1,730)	2,847	(423)
Promotora Radial del Llano, LTDA	70	46	23	22	0	47	77	4
Q'Hubo Radio, S.A.S	79	79	0	331	0	(251)	425	49
Radio Comerciales, S.A. de C.V.	2,468	375	2,093	486	1,008	974	2,626	1
Radio Melodía, S.A. de C.V.	1,354	672	682	682	0	672	320	108
Radio Tapatía, S.A. de C.V.	1,676	996	680	798	0	878	457	185
Radiotelevisora de Mexicali, S.A. de C.V.	1,361	1,059	301	761	24	576	854	157
Servicios Radiópolis, S.A. de C.V.	2,346	2,346	0	1,735	593	18	9,075	28
Servicios Xezz, S.A. de C.V.	246	246	0	172	0	74	1,510	71
Sistema Radiópolis, S.A. de C.V.	69,773	45,281	24,492	23,977	0	45,797	40,374	10,087
WSUA Broadcasting Corporation	4,388	1,631	2,757	3,192	5,944	(4,748)	467	(90)
Xezz, S.A. de C.V.	314	106	208	99	54	160	313	70
OTHERS								
Canal Club de Distribución de Ocio y Cultura, S.A.	155	155	0	6	0	149	85	85
Chip Audiovisual, S.A. (3)	3,069	2,963	107	1,234	0	1,835	6,099	159
Factoría Plural, S.L. (3)	6,237	5,770	466	4,304	0	1,933	9,221	188
Productora Canaria de Programas, S.A.	582	577	4	(325)	0	907	8	2
Sociedad Canaria de Televisión Regional, S.A.	1,862	1,862	0	321	0	1,541	1,885	408

(1) Information to October 2018

(2) Information to december 2017

(3) Information to november 2018

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

Consolidated Directors' Report for 2018

Translation of Director´s Report originally issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails.

PROMOTORA DE INFORMACIONES, S.A. (PRISA)

AND SUBSIDIARIES

CONSOLIDATED DIRECTOR'S REPORT FOR 2018

1. BUSINESS PERFORMANCE

1.1. 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 2018 and 2017 (in millions of euros):

	12.31.2018					
	Education	Radio	Press	Media Capital	Other	Prisa Group
PROFIT FROM OPERATIONS	**104.0**	**43.1**	**1.0**	**33.6**	**(96.5)**	**85.3**
Depreciation and amortization	45.6	8.2	4.3	6.6	0.8	65.5
Change in operating allowances	15.8	1.4	1.6	0.5	1.4	20.7
Impairment of goodwill	0.0	0.0	0.0	0.0	79.0	79.0
Impairment of assets	1.8	0,2	0.4	0.0	0.1	2.5
EBITDA	**167,3**	**52.9**	**7.3**	**40.7**	**(15.2)**	**253.0**

	12.31.2017					
	Education	Radio	Press	Media Capital	Other	Prisa Group
PROFIT FROM OPERATIONS	**110.2**	**28.4**	**(14.1)**	**32.2**	**(104.1)**	**52.6**
Depreciation and amortization	53.0	8.2	7.5	7.9	1.0	77.6
Change in operating allowances	14.1	2.4	1.1	0.2	0.3	18.1
Impairment of goodwill	0.0	0.0	0.8	0.3	85.7	86.8
Impairment of assets	2.0	2.4	8.7	0.1	(0.2)	13.0
EBITDA	**179.3**	**41.4**	**4.0**	**40.7**	**(17.2)**	**248.2**

Consolidated Group performance for 2018 was as follows:

- Groups operating income amounted to EUR 1,280.3 million (-4.2%) and EBITDA to EUR 253.0 million (+1.9%). Both figures were negatively affected by the foreign exchange rate performance, IFRS 15 effect (positive effect in revenues and negative in EBITDA) and Argentina's denomination as a hyperinflationary economy effect. On the other hand, it has been positively affected due to the sale of Santillana assets in USA.

The Group's Adjusted Operating Revenues and EBITDA in local currency and excluding the IFRS 15 and the sale of Santillana assets in USA, they grow by 1% and 9% respectively.

- Key highlights in 2018 include:

  - In Education, excluding the negative exchange rate effect and IFRS 15, and the positive effect of the sale of Santillana assets in USA, it manages to grow with respect to 2017 year due to good performance of the activity in Mexico, Peru, Chile, Argentina and Norma, compensating that year 2018 was a year without educational innovations in Spain and that it was a year of low cycle in Brazil.

  - Radio saw an operating recovery in EBITDA by 27.9% due to good behavior in Spain (growth in EBITDA by 43.5%).

  - Growth in digital advertising in Press. Costs have been reduced during the year.

  - Media Capital manages to increase its advertising revenues by +5%. The operating result remains at 2017 levels.

  - The exchange rate performance had a negative impact in 2018: EUR -88.4 million in income (of which EUR -7.3 million correspond to Argentina's hyperinflation) and EUR -22.2 million in EBITDA (of which EUR -3.8 million correspond to Argentina's hyperinflation).

  - The implementation of the announced Group's Efficiency Plan generates savings in expensives of EUR 48.5 million in 2018. The impact on EBITDA is EUR 39.6 million.

Business performance for 2018 was as follows:

- Operating earnings for **Education** amounted to EUR 600.5 million (-8.5% compared to 2017). Excluding the negative exchange rate impact (EUR -79.9 million, including hyperinflation effect in Argentina), IFRS 15 effect (EUR -2.7 million) and sale of Santillana assets in USA (EUR +7.1 million), income increased compared to 2017 (+3.0%). EBITDA reached EUR 167.3 million (-6.7%). Excluding the exchange rate effect (EUR -23.4 million, including hyperinflation effect in Argentina), IFRS 15 effect (EUR -2.3 million) and sale of Santillana assets in USA (EUR +7.1 million), EBITDA increased +4% over 2017.

  - Campaigns in the south area closed with a solid performance in the most important countries. Brazil stands out which despite to be a low cycle year, it maintain revenues in line compared to 2017 (at constant currency and excluding IFRS 15 effect). They also highlight Argentina, Chile, Colombia and Peru.

  - Campaigns in the north area (mainly Spain and Mexico) saw earnings fall (-6.2% in local currency and excluding IFRS 15 effect and the sale of Santillana assets in USA), mainly due to Spain (-7% because 2018 is a year without innovations, and also due to "double use" effect) and USA (sale of business). Instead, the good performance in Mexico offset this fall (+6% in local currency and excluding IFRS 15 effect).

- o The digital education systems (UNO, Compartir, Farias Brito, Educa y ESL) continue their expansion in Latin America, increasing the number of students by +6% until reaching 1.2 million students.

- Operating income in **Radio** reached EUR 287.6 million, growing +2.5% with respect to 2017 and EBITDA came in at EUR 52.9 million (+27.9%) due to the best evolution in Spain. At constant exchange, revenues grow by +5.2% while EBITDA grow by +26.6%.

  - o Advertising for Prisa Radio in Spain has grown by +5.4%. The Local advertising shows a growth by +2.5% while national advertising accounts a +7.9% growth, by in part due to World Cup effect.

  - o In Latin America, the advertising grew by +5.8% in local currency (-1.6% in euros due to the currencies depreciation and the hyperinflation effect in Argentina). Highlights the good performance in constant currency in Colombia whose advertising grows by +8.7%.

  - o The exchange rate effect has negatively impacted in revenues (EUR -7.7 million) while at EBITDA level the effect has been positive (EUR +0.5 million). In both cases, highlights the hyperinflation effect in Argentina. Excluding the exchange rate effect, revenues grew by +5.2% and EBITDA by +26.6%.

  - o According to the last EGM, Prisa Radio in Spain maintained its leadership for both generalist and music radio.

- In the **Press** division, operating income came in at EUR 203 million (-7.9%). Traditional advertising, circulation and promotions decreased. The rise in digital advertising and cost savings partially offset these impacts. EBITDA reaches EUR 7.3 million, growing by +85% compared to 2017.

  - o Circulation revenue continued to see a -14% decrease.

  - o The promotions revenue decreased by -41%, although the result is positive and it's in line with 2017.

  - o Advertising revenue grew by +1.6% for the period. Digital advertising rise 16% (representing 53% of all advertising revenue in the division), offsetting the drop in Traditional advertising (-11%).

  - o An average of 126 million unique visitors was recorded in 2018 (+16%).

  - o El País strengthened its position as the top Spanish-language newspaper in world media rankings and AS maintained its digital leadership in America.

- In **Media Capital**, revenues reached EUR 181.8 million (+9.9%) and EBITDA EUR 40.7 million, in line with 2017. The IFRS 15 effect has supposed a growth in revenues and expenses in the same amount (EUR 14 million). Excluding this impact, revenues grew by 1.5%.

- Advertising revenues grew by 4.9% in 2018 (+2.6% excluding the IFRS15 effect).

- TVI maintained its 24-hour and prime time leadership, hitting average daily audiences of 21% and 24% respectively for total Television audiences.

- Media Capital radio maintained its number one position in listeners (Radio Comercial has a 25% 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):

	2018	**Exchange rate effect**	**2018 excluding exchange rate effect**	**2017**	**Change excluding exchange rate effect**	**Change (%) excluding exchange rate effect**
Education (*)						
Operating income	600.5	(79.9)	680.5	656.2	24.3	3.7
EBITDA	167.3	(23.4)	190.7	179.3	11.4	6.3
Radio						
Operating income	287.6	(7.7)	295.2	280.7	14.6	5.2
EBITDA	52.9	0.5	52.4	41.4	11.5	27.9
Prisa Group						
Operating income	**1,280.3**	**(88.4)**	**1,368.7**	**1,335.7**	**33.0**	**2.5**
EBITDA	**253.0**	**(22.2)**	**275.2**	**248.2**	**26.5**	**10.7**

(*) Excluding the exchange rate effect of Venezuela.

The Group's **net bank debt** decreased by EUR 588.6 million for the year and came in at EUR 928.6 million to December 2018.

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, 2018 and December 31, 2017:

	Million of euros	
	12.31.18	12.31.17
Non-current bank borrowings	1,149.7	703.5
Current bank borrowings	76.1	1,037.0
Loan arrangement costs/Fair value	22.8	17.5
Current financial assets	(24.9)	(23.3)
Cash and cash equivalents	(295.1)	(217.5)
NET BANK DEBT	**928.6**	**1,517.2**

1.2. Market environment

1.2.1. Economic environment in Spain and Portugal

2018 has continued the heyday of growth, with positive growth rates in Spain and Portugal, although with symptoms of deceleration.

So, in 2017 GDP growth in Spain was +3.0% while in Portugal it was +2.7%. According to the October 2018 IMF report indicates that:

- Spanish GDP has grown +2.7%, according to the IMF, for the fifth year running, since the end of the crisis in 2013.
- With regard to Portugal, in 2018 GDP is expected to grow by 2.1% according to the latest forecasts from the Bank of Portugal as at December 2018. It also links five years of growth.

The improvement in the economic environment has had a positive impact on private consumption. Private consumption in Spain grew by +2.4% in 2014, by +3.6% in 2015 y 2016 and by +0.8% in 2017 (slow-down due to the events in Catalonia). According to FUNCAS, consumption of retail sales is +0.6% in 2018.

In quarterly terms, according to the information of FUNCAS, retail sales have had an erratic behavior during 2018: growing in 2018 Q1 by 1.9%, by +0.1% in Q2, falling by -0.6% in Q3, and growing by +1.3% in Q4.

In Portugal, according to the OECD data, private consumption grew by +2.2% in 2018.

1.2.2. 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 (+6.6%), according to public sources (i2P). This improvement continued in 2016, although growth started to decline (+4.1%), confirming the downward trend in 2017, with a growth of +2.0%. According to the February 2019 report of i2P, the market grows by +1.3% with respect to 2017.

The evolution by sector shows that the market has had an uneven performance in 2018: growth has continued in Internet, Radio, Press, Outdoor, Cinema and Social Network. Highlights the Press and Outdoor advertising, where digital growth offset the fall of the traditional advertising. On the contrary, it highlights the decline in Television (-0.6%) and continue the decline in magazines and Sunday supplements.

In the case of Portugal, according to in-house estimates, the overall market of free-to-air TV advertising is estimated to have grown by +1% in 2018. In Radio, the estimate is market has declined -1.7% with regard to 2017 (data from September), while growth in the Internet market reach +23.3%.

1.2.3. Economic environment in Latin America

In general, according to the IMF projections (October 2018), the countries where the Group is exposed, have shown growth in 2018 (except for Venezuela, Puerto Rico and Nicaragua). Argentina has also suffered the impact of peso depreciation and high inflation, which has meant that the country has become defined as a hyperinflationary economy. Thus, the IMF forecast is that Argentina's GDP falls -2.6% in 2018. Instead, Brazil (+1.4%) has continued the growth path initiated in 2017. Other countries continue to show solid growth. Thus, Colombia will grow by +2.8% (1.8% in 2017), Chile by +4.0% (1.5% in 2017), Mexico by +2.2% (+2.0% in 2017) or Peru by 4.1% (+2.5% in 2017). Growth will be ongoing in general in 2019, at a higher rate than in 2018, according to the IMF projections (October 2018), except for Argentina (it continues to suffer the effects of the cuts for the aid received by the IMF, although the fall is less than 2018: -1.6%), Venezuela and Puerto Rico. Brazil will see a higher growth rate (it is expected to grow by 2.4%) while the upswing in Colombia (+3.6%), Chile (+3.4%), Mexico (+2.5%) and Peru (+4.1%) stands out.

The Group's results in Latin America have been negatively impacted by the weakness of the exchange rate, especially in Argentina, Brazil, Mexico and Colombia. The negative impact in the Group reaches EUR 88.4 million revenues and EUR 22.2 million EBITDA in 2018. As a result, the Group's recurrent revenues in Latin America have fallen by -9.0%, in comparison with the rise of +4.8% that would have been obtained with a fixed exchange rate. The EBITDA for Latin America has fallen by -6.0%, compared with the rise of +6.8% 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 (negative effect of currency depreciation of -55.1 million euros in revenue), while throughout the second half of the year, the effect was also negative (currency depreciation with an effect of -33.3 million euros in revenue). At the EBITDA level, the effect was even more significant in the first half (-18.1 million euros) compared to the second (-4.2 million euros).

During 2018, the currencies of Argentina, Brazil, Mexico and Colombia, have meant the 80% of the impact in EBITDA.

2. OUTLOOK

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

According to the IMF (data from October 2018), the growth forecasts for the economies on the Iberian Peninsula remain valid for 2019.

In turn, Prisa's activities and investments in Latin America are exposed to the performance of the 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 2018), growth will be ongoing in all countries where Prisa operates in 2019, at a higher rate than in 2018, except in Argentina (it continues to suffer the effects of the cuts, although the fall is less than that suffered in 2018), Venezuela, Puerto Rico and Nicaragua. Brazil will see a higher growth rate (2.4%) while the upswing in Colombia, Chile, Mexico and Peru stands out.

Group business performance will be affected by economic growth. Group earnings will also be affected by the performance of exchange rates. During 2018, the Group's results in Latin America were negatively affected by the weakness of the exchange rate in Argentina, Brazil, Mexico and Colombia. It's expected by 2019 that the depreciation will continue in most Latin America currencies in the comparison with 2018.

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 38% of the total during 2018). 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 is growing. Effectively, it has increased by 15.6% in 2018 and in the Press Business it already represents 53% of advertising revenues (46% in 2017). According to data from i2P (February 2019) growth continues in 2019.

The advertising market in Spain throughout 2018 has growing by +1.3% according to the i2P report. The estimation of this same source for the year 2019 shows a growth in the Spanish market of +0.7%.

In Spain, the Group's advertising revenues grew by +4.0% in 2018, affected by the evolution of Radio advertising (with growth in both national and local), by digital advertising in Press and by World Cup effect. For the year 2019 advertising revenues are expected to grow in line with digital growth and the continuation of good performance in Radio (both in National and Local).

In Latin America, according to the "PWC Global Entertainment and Media Outlook Report 2018-2022" report, the radio sector expected the advertising market to grow by 3.8% in 2018. Prisa Radio in Latin America has grown 5.6% at constant exchange rates, mainly due to growth in Colombia. For the year 2019, Prisa Radio is expected to continue growing (at constant exchange rate), especially in Colombia (supported by the elections effect and in the Copa America). The market context, according to PwC, continues to expect growth for the region (+3.9%). In the case of Colombia, according to Asomedios+Andiarios, is expected a growth by +0.8%.

In Portugal, the advertising market evolution in 2018 has grown in free-to-air TV sector (+1% according to internal estimates) and digital (+23.3%), while in the Radio sector it has suffered a slight fall (-1.7%). In this context, Media Capital's advertising revenues have grown by +4.9% with respect to 2017 (+2.6% without the effect of IFRS 15), due to the increase in Television. For the year 2019, it's expected the market will continue to grow in Television and Digital, while for Radio the market is expected to remain online. Thus, Media Capital estimates to grow above 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 2018 contributed 46.9% of the Group's total revenue and 66.1% of its EBITDA. Revenue in Latin America declined -9.3% during this same period due to a negative exchange rate effect. At a constant exchange rate, Education in Latin America grow by 5.6% thanks to evolution in Chile, Peru, Mexico, Argentina (institutional sale), PNLD in Brazil (despite being a low cycle year, an extraordinary result has been achieved) and the sale of assets (Santillana USA and sale of a building in

Argentina). These growths offset the fall in Spain (year without new features and the dual use effect) and the perimeter effect of selling the business in the USA. In turn, the digital education systems (UNO, Compartir, Farias Brito, Educa y ESL) continued to expand in Latin America, growing both in students and in billing (in local currencies). The evolution in 2019, in terms of Systems, mainly depend on students signing up, the evolution of the exchange rate (the depreciation of the currencies is expected to continue) and the growth in most of the countries, highlighting Spain (educational developments are expected) and Brazil (year of mid cycle of institutional sales).

Part of Group growth for 2019 will rely on digital expansion. Digital audiences have experienced significant growth (151.9 million unique browsers at December 2018, which represents a growth of 7% compared to the same period of the previous year). In 2019, 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.

For the 2019 year, the Group will continue to be active in strengthening its balance sheet structure, reducing debt and focusing on cash generation.

3. 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, valuate and manage these risks.

3.1. Risks relating to the financial and equity situation

Financing risk-

The Group's financial obligations are set out in note 10b "*Financial liabilities*" in the attached consolidated financial statements.

As of December 31, 2018, the Group's net bank debt level stood at EUR 928.6 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.
- It limits the ability to adapt to changes in the markets.
- It places the Group at a disadvantage with regard to less indebted competitors.

As described in the Prisa consolidated financial statement for the year 2018, the Company reached an agreement with all the financial creditors of the *Override Agreement* (agreement to refinance the Group's debt signed in December 2013) to refinance and modify the terms of Prisa's current financial debt. This agreement came into force on June 29, 2018. The Refinancing agreement contemplates the extension of the debt maturity from 2018 and 2019 to the year 2022 with no amortisation obligation until December 2020. In addition, the level of net indebtedness has been reduced from EUR 1,517.2 million at December 31, 2017 to EUR 928.6 million at December 31, 2018.

In addition, the contracts governing Prisa's Group debt terms stipulate requirements and commitments for compliance with specific leverage and financial ratios (*covenants*). These contracts also include provisions on cross-default, which could cause, if the breach exceeds certain amounts, the early maturity and resolution of the contract in question, including the *Override Agreement*.

Equity situation of the Group's Parent Company-

As of December 31, 2018, 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 stood (including participating loans outstanding at year-end of EUR 62,491 thousand) at EUR 418,653 thousand, greater in EUR 68,718 thousand to the two thirds of the capital stock (EUR 524,902 thousand).

The evolution of Prisa's net equity will depend, among other factors, on the performance of the Prisa Group's businesses, the recoverability of financial assets and investments, the cost of debt financing, possible contingencies and other operating costs of the Company. In this respect, an unfavourable evolution of the Company's net equity could lead to a situation of equity imbalance as concerns commercial legislation. This situation could entail the need to propose, to the competent corporate bodies, the implementation of new capital decreases or increases; or, in the event of a cause for dissolution that is not resolved as provided by law, the dissolution of the 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, 2018, advertising revenue represented 37.8% 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 this respect, on June 29, 2018, within the framework of debt refinancing, the Company established a Super Senior credit policy until June 2023, in the amount of EUR 50 million, to finance the Company's operating needs. As of 31 December 2018, no drawdowns of the aforementioned policy have been made.

In terms of the commercial credit risk, the Group assesses the age of the trade receivables and constantly monitors the management of the 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 98.01% 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.

Moreover, a possible unfavourable performance in the economies of the Latin American countries where the Group operates could translate into hyperinflationary situations, with the consequent negative impact on exchange rates.

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, 2018, the consolidated Group had active tax credits amounting to EUR 135.4 million; of these, EUR 87 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 changes in tax rules or 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, 2018, the company had intangible assets recorded on its consolidated balance sheet amounting to EUR 111.2 million and goodwill of EUR 408.8 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.

3.2. Strategic and operational risks

Macroeconomic risks-

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

During the year 2018, 59.9% of Group operating income came from international markets. Nevertheless, Spain continues to be the Group's main geographical market (representing 40.1% 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 television, press and radio businesses. As of December 31, 2018, advertising revenue represented 37.8% 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.

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 Television, Press and Radio businesses, and the Group is fighting for advertising against traditional players, multinational online audiovisual and musical content platforms, new online 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. In addition, there is a growing trend towards access to open educational content through online sites, and the market for second-hand materials is growing. However, the number of schools that do not use books and that develop new content within the scope of their own curricular autonomy is increasing.

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 licenses 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. During 2018, 20.2% of the operating income of the Education business 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 preferences and audience consumption habits.

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 Television, 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, 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.

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 centers. 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 several technology providers its information technology management service and the development of innovative projects at some Group companies. If this service provision ceases or the service was transferred to new suppliers, 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.

To manage this risk, the Group manages and monitors legal proceedings and is advised by independent experts.

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.

4. CORPORATE GOVERNANCE

In compliance with commercial law, the Annual Corporate Governance Report (ACGR) forms part of this management report, and was authorized for issue by the Board of Directors. The ACGR details all corporate governance aspects at Prisa and is available at www.prisa.com.

Without prejudice to the above, some of the key aspects of Prisa’s corporate governance are set forth below.

Governance bodies

The ACGR details how the Company's management bodies and the decision-making process work. The Annual General Meeting and Board of Directors are the Company's most senior governance bodies.

The main changes in Prisa's Board of Directors and the management team in 2018 were as follows:

i. Succession of the Chairman of the Board of Directors:

In the last quarter of 2017, the former Executive Chairman stood down and Manuel Polanco Moreno (Deputy Executive Chairman until then) was appointed as Non-executive Chairman of Prisa's Board of Directors with effect from January 1, 2018.

In the Board of Directors held on December 18, 2018, the succession of Mr. Manuel Polanco Moreno in his position as non-executive Chairman of Prisa was launched, and the Board appointed Mr. Javier Monzón de Cáceres (at that time Non-executive Deputy Chairman and Coordinating Director) as non-executive Chairman of the Board of Directors, and the aforementioned termination and appointment took effect as of January 1, 2019.

ii. Prisa's top executive director and CEO:

Following the former Executive Chairman's succession and appointment of a Non-executive Chairman, CEO, Manuel Mirat Santiago has occupied the post of Prisa's top executive director.

iii. Reorganisation of the Board of Directors:

At the end of 2017, Prisa's Board of Directors started to be reorganised, including the succession of the Chairman and CEO, which culminated in 2018 with the following changes:

Independent director, Javier Monzón de Cáceres, was appointed as Deputy Non-executive Chairman and Lead Director of Prisa's Board of Directors. Subsequently and as mentioned beforehand, in December 2018 Mr. Monzón was appointed as Prisa's Non-executive Chairman with effect from January 1, 2019.

The company, Amber Capital UK LLP (represented by Fernando Martínez Albacete), was appointed as a proprietary director, while John Paton stood down as a member of the Company's Board.

Furthermore, at the April 2018 Annual General Meeting, shareholders voted to limit the number of board members to 13.

The board committees were also reorganised, these being: the Delegated Committee, the Audit, Risk and Compliance Committee (formerly the Audit Committee, assigned compliance-related functions) and the Nominations, Compensation and Corporate Governance Committee (which integrated the former Nominations and Compensation Committee and Corporate Governance Committee).

iv. In January and July 2018, the Management Committee chaired by the CEO was also reorganised, altering the Senior Management's scope.

In order to bring the Company's corporate governance system into line with the current best standards and given the significant changes to the Company's capital and governance structure, the Company's key internal regulations (Bylaws, General Shareholders' Meeting Regulation and Board of Directors Regulation) were revised in 2018. Alterations included alterations to the organisational structure and company bodies.

As per the Company's Board of Directors Regulations and pursuant to the Corporate Enterprises Act, the Board have non-delegable powers to determine certain general strategies and policies of the Company and make certain decisions (including the strategic or business plan; management objectives and annual budgets; investment and financial policy; budget strategy; risk management and control; oversight of the internal control and information systems; approval of financial reporting; dividends policy; treasury share policy; corporate governance and social responsibility policies; the appointment and dismissal of board members and certain directors; investments and operations of all types due to their significance or special tax risk for the Company; approval of the incorporation of or acquisition of equity stakes in special purpose vehicles or institutions domiciled in tax havens; agreements concerning mergers, spin-offs and any material decisions that could affect the Company's status as a listed company; approval of related-party transactions; annual evaluation of the Board of Directors' performance, etc.).

Without prejudice to the powers conferred on the CEO, the Board of Directors has a Delegated Committee which has been granted all the powers and competencies of the Board that can be delegated, in accordance with the Law and with the limitations established in the Regulations of the Board of Directors.

When managing the Company, the CEO draws on the support of the Management Committee, the members of which are part of the Company's Senior Management.

Senior managers are appointed by the Board on the CEO's recommendation and based on a report from the Nominations, Compensation and Corporate Governance Committee, and they report directly to the CEO.

Each of the commissions of the Board (Delegated Committee, Audit, Risk and Compliance Committee and Nominations, Compensation and Corporate Governance Committee) have functions in their respective areas. The composition and functions of these committees are described in the ACGR.

Composition of the Board of Directors

At 31 December 2018, Prisa's Board of Directors had 13 members: an Executive Director, six proprietary directors, five independent directors and another external director, with different academic profiles and respectable track records (profiles and bios available at: www.prisa.com).

The Board of Directors has a Non- Executive Chairman and a CEO, who is the chief executive of the Group.

5. NON- FINANCIAL INFORMATION

The current non-financial information statement was drawn up in line with the requirements set out in Spanish Law 11/2018, of 28 December, which amends the Code of Commerce, the revised text of Spanish Capital Companies Law, passed by Spanish Royal Legislative Decree 1/2010, of 2 July, and Spanish Law 22/2015, of 20 July, on Account Auditing, on the subject of non-financial information and diversity. The provisions of the Global Reporting Initiative (GRI Standards) guide on the drawing up sustainability reports was also taken into account.

In this context, the purpose of the Prisa non-financial information statement is to report on environmental, social and personnel matters and in relation to human rights as relevant to the company in the performance of its business activities.

5.1. Business model

The object of the Prisa Group is to create and distribute cultural, educational, informational and entertainment content for markets where Spanish and Portuguese are spoken.

With a presence in 24 countries, it reaches its users through the main media brands, including El País, Santillana, Moderna, Compartir, UNO, Ser, Los40, WRadio, Radio Caracol and As. 40% of total Group revenue is generated in Spain and 45% is generated in America.

The Group strategies, organisation and business model are described below in this non-financial information statement. Business performance, market context and the main factors and trends that might affect its performance are described in Sections 1 and 2 of the *Management Report on the Consolidated Statement.*

5.1.1. Businesses: organisation and markets

The Group is divided into four business areas (equivalent to the operational segments as stated in Section 6 of the *Consolidated Statement*): **Education (Santillana), Radio, Press (Noticias) and Media Capital.**

Education (Santillana)

Education includes Prisa's activities in the training and education markets through its publishing company Santillana, which involves publishing schoolbooks, publishing language books and providing digital learning systems. Santillana focusses on the creation of educational content for all levels of education from ages 3 to 18 (especially primary and secondary school) published in Spanish, Portuguese and English, in multiple formats and adapted to the educational standards and approaches of each country.

The business is organisationally structured by country, with the main markets being Spain, Mexico and Brazil, which together represent 61% of total revenue, according to data in December 2018.

The business model is focussed on education through traditional books and digital education systems, providing all-round educational content not just for students, but also for teachers.

Radio

Radio covers national and international spoken and musical radio. It has a presence in 13 countries, both directly and through brand and content franchises. The business is organisationally structured by country, with the main markets being Spain and Colombia, which together represent 91% of total consolidated revenue.

Prisa Radio reaches 22 million Spanish-speaking listeners, according to aggregated audience data in the countries where it operates.

Radio also has 40.5 million unique internet browsers (Source: Adobe Omniture, Jan.–Dec. 2018).

The management model for Radio (as regards both spoken radio and musical radio) is aimed at renewing radio formats for analogue and also digital use, achieving a greater presence for its content on all digital platforms for all listeners.

Press (Noticias)

Noticias covers the activities of newspaper and magazine sales, advertising, promotions and printing. The business is organisationally structured by business, with the main publications being El País and Diario As, which together represent 90% of total revenue for Prisa Noticias. The revenue is essentially generated in Spain (97% of the total).

It encompasses several news brands, including El País, AS, Cinco Días, El Huffington Post, Smoda, Buena Vida, Retina and Meristation. The lead publications have an online readership of 125.9 million unique browsers from all over the world (Source: Adobe Omniture, Jan.–Dec. 2018).

El País is the newspaper with the highest hard-copy circulation in Spain, according to OJD December 2018, at 137,552 issues. Digital readership amounts to 83.2 million users in December 2018 (Source: Adobe Omniture, Jan.–Dec. 2018), of which 43.3% are unique browsers from the American continent and 52.1% are from Spain.

Diario As is the sports newspaper with the second-highest hard-copy circulation, at 99,346 issues (OJD December 2018). In terms of digital readership, it has 45.8 million unique browsers all around the world (Source: Adobe Omniture, Jan.–Dec. 2018). Currently, 51.9% of the web users are international.

The Noticias business model is focussed on advancing the digital model, providing users with news and entertainment content on different digital devices.

Media Capital

Media Capital mainly comprises the activities of television, audio-visual production, radio and internet in Portugal. The business is organisationally structured by business, with television being the main one of these, operated through its subsidiary TVI.

TVI is the open television channel with the largest audience in Portugal, according to data from GFK in December 2018. Its programming is based around news, national fiction and entertainment and also includes films, foreign series, football and children's programmes. In addition to the general TVI channel, Media Capital runs audio-visual operations through its themed channels: TVI Internacional, TVI Ficçao, TVI Reality, TVI 24 and TVI África.

The current business model centres on advertising and the distribution of themed channels.

5.1.2. Goals and strategies

The main strategic cornerstones for the Group are:

- Growth of the Education business thanks to market expansion and the development of the technological education platform.
- Digital development at Media.
- Resources aimed at the businesses with most added value and efficiency plans that maintain a structure of sustainable debt.

5.2. Risk management

Prisa permanently monitors the most significant risks that could affect the main companies in its Group.

The risk management system works comprehensively by business unit, consolidating that management at corporate level. The Group continuously monitors the most significant risks, including tax risk, that could affect the business units. To do this, it has a risk map as a tool for graphic representation of the Group's inherent risks, which is used to identify and assess the risks that affect the performance of the different business units' activities.

The risks and the processes that manage each of the risks considered are identified by the General Management Departments in the business units and at the corporate centre, and aggregated and standardised by the Group's Internal Audit Department, which periodically reports results to the Audit Committee. The respective business departments identify the parties responsible for managing each risk and the associated action plans and controls.

Section 3 of the *Management Report* gives details of the Group's main risks.

We should also note that the Group has an internal control model for financial reporting (ICFR), initially developed from the COSO 1992 Framework and adapted to the COSO 2013 Framework in FY 2014.

In the context of the Group's crime prevention model in Spain, the environmental, occupational and corruption and bribery risks associated with the Group's different activities and operations are analysed for the different businesses. For each of these risks, depending on its impact on the different businesses, the Group has defined control activities to mitigate the businesses' exposure to risk.

For more information on risk management, see Sections E and F of the *Annual Report on Corporate Governance*.

5.2.1. Materiality analysis

To draw up this non-financial information statement, we have adhered to the provisions set out in the Global Reporting Initiative (GRI) SRS – Sustainability Report Standard, which also serves as a reference for drawing up Prisa's Sustainability and Social Responsibility Report, published every year. Prisa's materiality analysis has also been taken into account in this case. It has identified the environmental, social and economic factors that are relevant for its stakeholders and for the Group according to their impact on the value chain. The Ten Principles of the UN Global Compact on matters of human rights, labour regulations, environment and anti-corruption have also been considered. Pursuant to the materiality analysis, material matters for Prisa in these areas would be:

Financial performance
User satisfaction and quality
Ethics and Good Governance
Company strategy
Digital transformation and innovation
Communication with stakeholders
Brand management
Employee acknowledgement and motivation
Responsible environmental management
Freedom of expression and pluralism
Communities
Responsible supply chain
Professional development and training
Equal opportunities and diversity
Attracting and retaining talent

Prisa's Corporate Social Responsibility Policy, approved by its Board of Directors in December 2018, establishes the benchmark framework for guaranteeing responsible behaviour in these areas in relation to its main stakeholders. The document containing this is available on Prisa's corporate website: www.prisa.com.

5.3. Responsible environmental management

Prisa is committed to respecting the environment and the environmental impact of its operations in the performance of its business activities.

Whether through direct management by Prisa or indirect management (acting on its supply chain) and following the practices recommended in the Group's Corporate
Social Responsibility Policy, the basic principles applied in order to provide products and services that respect the environment during their life cycle, contributing to the continuous improvement of its activities, are:

- To perform its activities in such a way as to minimise negative environmental impact, complying with the standards set out in applicable environmental regulations, in addition to actively helping to raise awareness regarding the effects of climate change.
- To pay special attention to responsible management of the production cycle for the Group's printed products, use of paper, ink and other printing materials, use of energy, water consumption, emission control and waste, as the main resources with an environmental impact used in its activities.

Monitoring of these measures is structured into the following action levels:

- Consumption control.
- Emission control.
- Waste control.

The data collected shows that the Group does not, in any case, have any responsibilities, expenditure, assets, provisions or contingencies of an environmental nature that could be significant with respect to its equity, financial position or results.

5.3.1. Consumption control

Consumption of materials-

Most of the consumption is associated with printing activities, specifically paper, cardboard and plates, as reflected in the following table.

Type of material	Total consumption of material (t)	% Recycled/recovered material consumed
Paper[1]	89,786	41%
Ink[2]	10	0%
Cardboard[3]	316	100%
Adhesive	0	0%
Solvent	0	0%
Plastics[4]	301	6%
Toner[5]	1	34%

[1] Consumed at Santillana (Spain, Argentina, Brazil, Chile, Colombia, Mexico, Guatemala, El Salvador, Honduras, Ecuador, Peru, Puerto Rico, Dominican Republic), Prisa Radio, Prisa Noticias, Media Capital Group (Portugal), PGS, PBS, Prisa Tecnología, Prisa Corporativo and Prisa Video.
[2] Consumed at Bidasoa and Distasa (Prisa Noticias), Santillana (Ecuador, Puerto Rico), Media Capital Group (Portugal).
[3] Consumed at Prisa Noticias Santillana (Spain, Argentina, Colombia, Guatemala, El Salvador, Ecuador, Peru).
4 Consumed at Santillana (Spain, Colombia, Guatemala, El Salvador, Honduras) and Media Capital Group (Portugal).
[5] Purchased as expendable supplies at Prisa Noticias, Santillana (Colombia, Guatemala, El Salvador, Peru).

Type of material	Total consumption of material (t)	% Recycled/recovered material consumed
Plates[6]	243	55%
Other	0	0%

Group suppliers are required to comply with environmental and legal criteria regarding the manufacturing of paper. Practically all suppliers can manufacture PEFC or FSC certified paper, which guarantees control over the paper chain.

Santillana requires Forest Stewardship Council (FSC) and Sustainable Forestry Initiative (SFI) certification from all of their suppliers in the USA. In addition, its main logistics provider (Pilot) is certified by the Environment Protection Agency (EPA) as part of the SmartWay Transport Partnership.

Prisa is committed to responsibly managing the paper consumption cycle from start to finish. In the case of Spain and Portugal, this consumption is managed centrally. In these countries, 77.9% of paper consumption comes from recycled raw materials obtained from recovery operations run by authorised managers, with a 9% rate of return on purchased paper.

Power consumption [7-8]

The data is obtained from the bills issued by suppliers:

Electricity consumption		Natural gas consumption (GJ)	Diesel consumption (GJ)	**Total energy consumption (GJ)**	**Energy intensity (GJ/€MM invoicing)**
Renewable source (GJ)	Non-renewable source (GJ)				
28.465	185,456	14,405	56,975	**285,302**	**213.98**

We should note:

- In 2018, the Group's total energy consumption was 285,302 GJ, mainly associated with fuel and electricity, of which almost 10% comes from renewable sources.
- According to the information provided by the different paper suppliers, the carbon intensity—expressed in kg of CO_2 equivalent per tonne of paper consumed—was 481.54 in Spain.
- Within the sector-wide process of digitalising content and media, Prisa is taking action to gradually reduce paper consumption. 2018 saw notable optimisation programmes at Santillana Argentina, Colombia, Peru, Guatemala, Honduras, El Salvador and Media Capital in Portugal.

Water consumption

In 2018, Prisa's water consumption has amounted to 146,683 m^3, mostly from municipal mains.

[6] Consumed at Distasa and Bisadoa (Prisa Noticias), Media Capital Group (Portugal).
[7] Not including Santillana Venezuela
[8] The source used for obtaining the conversion factor was DEFRA (Department for Environment, Food & Rural Affairs – GOV.UK).

5.3.2. Emission control

The main source of emissions linked to Prisa activity is in relation to employee travel, which is measured by mode of transport and monitored by the Corporate Purchasing Department.

The information on 2018 emissions is reported in accordance with the scope of emissions as defined by the GHG Protocol standard.

To note:

- Initiatives have been put in place in several countries for replacing lamps with more efficient technology.
- The energy saving achieved in comparison with last year was 6,275 GJ, meaning a reduction in emissions of CO_2eq of 881.95 t.
- For every million euros invoiced in 2018, the CO_2 emissions intensity is 81.28 t.

Below is a breakdown of the information in relation to Scope 3 emissions, obtained using data on employee travel and on paper consumption.

			Total emissions for 2018 (t CO_2 eq)
Business travel[9]	Air	Short-haul flights	3,791.79
		Medium-haul flights	1,056.43
		Long-haul flights	2,615.60
	Rail		207.64
	Road	Diesel	4,932.82
		Petrol	5,120.62
Product[10]	Paper		43,233.97
		TOTAL Scope 3 Emissions (*)	**60,958.87**

(*) Does not include Santillana Venezuela

Emissions derived from fuel consumption and electricity consumption (*Scope* 1 and 2) would amount to 5,468 and 14,852 tonnes of CO2 equivalent (without including Santillana Venezuela).

5.3.3. Waste control

Within the activities performed by Prisa, printing is the activity that generates the most waste, with plates, ink, varnish, paper and cardboard the most significant types.

There has been a decrease in waste generation, derived mainly from a reduction in the consumption of paper and cardboard within the Group in comparison with last year. Content digitalisation is one of the factors that favour the decrease in paper-waste generation.

9 Not including Santillana (Puerto Rico)

10 Consumed at Santillana (Spain, Argentina, Brazil, Chile, Colombia, Mexico, Guatemala, El Salvador, Honduras, Ecuador, Peru, Puerto Rico, Dominican Republic), Prisa Radio (Spain), Prisa Noticias, Media Capital Group (Portugal), PGS, PBS, Prisa Tecnología, Prisa Corporativo and Prisa Video.

Danger	Type of waste	Tonnes produced last year	Destination
Hazardous waste	Ink and varnish	19.21	Authorised manager
	Hazardous WEEE	0	-
	Plate developer	5.76	Authorised manager
	Construction and demolition waste containing hazardous substances	9.76	Authorised manager
	Wood containing hazardous substances	0	-
	Plastics and containers containing remains of hazardous waste	14,000.9	Authorised manager
	Metallic containers containing remains of hazardous waste	28.58	Authorised manager
	Used oil	0.12	Authorised manager
	Contaminated cloths and tissues	8.48	Authorised manager
	Batteries	0.22	Authorised manager
	Other	220.23	Authorised manager/recycling
Non-hazardous waste	Paper and cardboard	2,983.94	Authorised manager/recycling
	WEEE	0.88	Recycling
	Construction and demolition waste	18.44	Authorised manager
	Plastics and containers	8.77	Recycling
	Metallic containers	21.5	Recycling
	MSW	315.96	Authorised manager/recycling
	Glass	4.16	Recycling
	Wood	220.36	Recycling
	Plates	190.64	Recycling
	Water for use in cleaning	76.97	-
	IBCs	0	-
	Other	46,247	Authorised manager/recycling

Beyond the waste generated and processed in connection with its printed products (paper, ink...), Prisa plans to design a pilot action plan for Spain to analyse the end destination of all of its waste in detail and study measures that allow that waste to be reintegrated more efficiently from a circular economy perspective.

5.4. Information on social matters in relation to personnel

5.4.1. Employment

The number of people employed by the Group at year end 2018—by country, gender and contract type—is:

	Permanent Contract + PTR (**)			Variable, Temporary Contract and TTR (**)			Total		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Argentina	194	264	458	21	15	36	215	279	494
Bolivia	22	19	41	-	-	-	22	19	41
Brazil	367	455	822	-	-	-	367	455	822
NTCA (*)	74	69	143	-	-	-	74	69	143
Chile	207	130	337	9	1	10	216	131	347
Colombia	731	519	1,250	31	10	41	762	529	1,291
CR	28	26	54	10	1	11	38	27	65
Ecuador	71	54	125	-	-	-	71	54	125
Spain	1,542	1,275	2,817	61	83	144	1,603	1,358	2,961
Mexico	273	265	538	-	-	-	273	265	538
P. Rico	13	22	35	1	1	2	14	23	37
Panama	11	9	20	-	-	-	11	9	20
Paraguay	17	14	31	-	-	-	17	14	31
Peru	74	85	159	82	66	148	156	151	307
Portugal	508	356	864	129	90	219	637	446	1,083
Dom. Rep.	74	45	119	-	-	-	74	45	119
Uruguay	10	12	22	-	-	-	10	12	22
USA	20	14	34	-	-	-	20	14	34
Total (***)	**4,236**	**3,633**	**7,869**	**344**	**267**	**611**	**4,580**	**3,900**	**8.,480**

(*) Northern Triangle of Central America: includes the following countries: Guatemala, Honduras and El Salvador
(**) TTR = Temporary trade representative, PTR = Permanent trade representative

From the above breakdown, we can see that 93% of Prisa's total staff have a permanent contract and 7% have a temporary contract. 54% of the total staff are men, in comparison with 46% of women.

97% of the staff are working full-time at year end (this ratio is 95% in Spain).

Distribution by gender and professional category is as follows:

	31.12.2018		
	Women	Men	TOTAL
Executives	30%	70%	100%
Middle management	43%	57%	100%
Other employees	47%	53%	100%
Total	**46%**	**54%**	**100%**

The average age for men is 2.8% older than the average for women, and the Group average is 42.5 years of age.

	Men	Women	Total
Average Group age	43.1	41.9	42.5

The main business areas in terms of staff are Santillana (45%) and Radio (28%), taking into account the following gender distribution:

	Men	Women	Total
Santillana	1,847	1,994	3,841
Radio	1,441	930	2,371
Noticias	460	294	754
Media Capital	634	441	1,075
ROW	198	241	439
Total	**4,580**	**3,900**	**8,480**

The variation in the Group's final staff between 2018 and 2017 is -3% (distributed in similar terms between Spain and the other countries: -3% and -4% respectively). The rate of voluntary turnover (measured as voluntary resignations out of the total staff) was 6%, mainly centred in Latin America, whereas the dismissal rate is 5.5% (measured as dismissals with severance pay out of the total staff), mainly associated with dismissals due to staff renewal in most countries and Group restructuring processes.

Dismissals measured as Group dismissals with severance pay were 49% men and 51% women, and 69% of them were employees between 30 and 50 years of age.

The staff reduction is centralised at Santillana Internacional (sale of Santillana USA and restructuring at Santillana Portugal). In Spain, the staff has been reduced due to the closure of the Video business and part of the Group's printing process.

Given the distribution of genders between professional categories, the average salary for the Group is EUR 32 thousand (company perks not included), the average salary for men is 10% higher than average and for women it is -12%:

	Men	Women
Prisa Group	10%	-12%

The information relating to remuneration for directors and management is specified in notes *20 - Transactions with related parties* and *21- Remuneration and other benefits for the board of directors* included in the statement for 2018.

As regards integrating people with disabilities into employment with the Prisa Group, with regard to Spain, there are agreements in place with special job centres for the provision of certain services (cleaning), and other collaboration mechanisms set out in our legal precepts (donations to job centre). In addition, there are 37 Group employees with disabilities of 33% or more, 24 of whom are men and 13 are women, distributed geographically as follows:

	Spain	ROW
Prisa Group	25	12

5.4.2. Work organisation

The Group companies provide company perks that allow them to attract and retain the best professionals.

In Spain, the staff generally get company perks, life and accident insurance, cover for disability or invalidity and maternity or paternity bonuses. In general terms, companies in Spain do not distinguish between full-time and part-time, or permanent and temporary contracts, for accessing these company benefits.

The flexible payment plan designed in 2012 is still in place for 2018 for companies in Spain, with the entire catalogue of products allowed by regulations.

In Spain, practically all collective bargaining agreements applicable by the different companies contain working hours that are below the legal maximum (40 working hours a week) and, in addition, overtime is only worked as an exception.

Working hours include flexible work practices as regards the start and end of the working day and may be adapted to intensive working hours and times at certain times of year (summer, Christmas and Easter). These irregular working hours are established by agreement between the different departments and/or the workers' legal representatives.

For some companies in Spain, the plan to promote a better work-life balance has been kept in place:

- Special voluntary leave with a guaranteed job to return to, financial allowance and social security contributions.
- Extension of paid annual holidays with social security contributions.
- Extension of weekly rest days (4-day week) with maintenance of social security contributions.
- Permission to attend training, help with expenses and social security contributions.
- Reduction of working day without having to be a legal guardian.

Thanks to these policies and actions that have been taken within the Group, 88% of staff have returned after maternity or paternity leave: 100% of the men and 78% of the women.

The hours and rate of absenteeism within the Group are as follows:

Rate of absenteeism (1)	0.55%
Total hours of absenteeism	86,324

(1) Index of absenteeism: (Total no. of absenteeism hours/ Total no. of hours worked) x 100

5.4.3. Health and safety

Driving a preventive culture among all the companies that make up the Group is still a priority goal. There is an outstanding commitment to integrating occupational health and risk prevention into the general management system for the companies.

The Joint Prevention Service works continuously within Group companies to identify psychosocial risk factors that may entail a risk to people's health.

- Regulatory audits on prevention have been satisfactorily run at relevant companies.
- Quarterly meetings with all health and safety committees have continued.
- Emergency evacuation measures have been implemented as required by regulations.

In this way, we have continued to strive towards continuous improvement in working conditions at all times.

- 97% of the staff in Spain are represented on formal joint health and safety committees.
- 100% of them are covered by the joint prevent service.
- 60% of the total Group staff is represented at this type of health and safety committee.

In 2018, there were 72 occupational accidents (20 men and 52 women). Given the Group's activity, there have been no cases of professional illness during 2018.

The main measurement indexes for the Group's health and safety are:

	Seriousness Index (2)	Incidence Index (3)	Frequency Index (4)
Men	0.06	6.11	3.29
Women	0.10	10.77	5.73
Total	0.08	8.25	4.42

(2) Seriousness Index: (No. days missed/No. hours worked) x 1,000;
(3) Incidence Index: (No. accidents with time off work/ Average no. of workers) x 100;
(4) Frequency Index: (Total no. of accidents with time off/Total no. of hours worked) x 1,000,000;

5.4.4. Social relations

The collective bargaining agreements currently in effect involve improvements in employment and working conditions in relation to the minimum rights required by legislation. In general, information, representation and consultation procedures for employees are contained and regulated in the different collective bargaining agreements and are structured through the labour representation bodies regulated in the same.

Except for certain management positions and taking local legislation into account, 56% of staff is adhered to each company's agreements (spain: 97%).

There is trade union freedom in all the companies and the group encourages the social dialogue necessary for the development of its business. Prisa sets minimum notice periods for putting structural or organisational changes in place, in accordance with the time limits set out in applicable legislation or collective bargaining agreements.

5.4.5. Training

The staff has access to a range of training, both online via Prisa Campus (own online platform) and in-person.

The training actions taught at the different companies are available on the training platform.

In 2018, more than 33,000 in-person tuition hours have been taught with an average of 16 hours per person trained. 39% of the training hours were invested in management personnel and middle management and 61% in the remaining staff.

5.4.6. Equality

The collective bargaining agreements applicable to the different companies in Spain contain specific sections on equal treatment and opportunities for men and women, protocols for action in the event of harassment and other measures to drive equality in all areas.

Specifically in the Prisa Radio collective bargaining agreement, there is a section called "Prisa Radio Group Equality Plan", which includes measures aimed at promoting equal treatment and opportunities between men and women in terms of recruitment, promotion and professional development, training, work and family life balance. The Ediciones el País collective bargaining agreement also contains a section called "Equality and Reconciliation Plan", which includes, among other things, the objectives of achieving a balanced representation of women in the workplace and women's access to positions of responsibility. In turn, Santillana is preparing an equality plan applicable to workers in this business in Spain, which will come into force in 2019.

In terms of harassment, the Group has a procedure for communicating and acting on psychosocial damages applicable to workers; likewise, the Santillana agreement also includes a harassment protocol.

The Prisa is diverse as regards geography, culture, gender and age.

- Employee presence in 21 countries.
- Local hires, with 88% of senior management in each country being local people.
- There are 39 different nationalities in the Prisa Group.
- At year end, the staff is 54% male and 46% female.
- The average age for the Group is 42.5 years of age: 43 for men and 42 for women.

5.4.7. Diversity in the composition of the Board of Directors

Note 4 of this *Management Report* and the *Annual Report on Corporate Governance*, which forms part of this Management Report, provides details of the composition of the Board of Directors, which was made up of 13 directors on 31 December 2018: one executive director, six proprietary directors, five independent directors and one external director, all with different academic backgrounds and outstanding professional careers (see profile and bio at www.prisa.com).

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 repute, with capacities and competences in various fields and sectors that are of interest to the Company and coming from different countries. At its meeting on 26 February 2019, the Appointments, Remuneration and Corporate Governance Committee performed its annual verification of the compliance of the Director Selection Policy and it considers that the composition of the Board is reasonably diverse as regards the profile, training, professional qualifications and experience, skills, age and geographical origin of the directors, with a positive balance as a whole. Nonetheless, the Appointments, Remuneration and Corporate Governance Committee considers that there is an insufficient degree of gender diversity and has, therefore, put forward a proposal and targets in that regard in order to achieve an appropriate level by 2020.

The *Annual Report on Corporate Governance* provides details of the results of this analysis and future actions for improving the situation in specific areas and, in particular, in relation to gender diversity.

In the review of the *Director Selection Policy* that the Appointments, Remuneration and Corporate Governance Committee plans to run in FY 2019, it will study in depth and make progress as necessary on diversity policies in order to have them meet demanding standards and the targets set in this area for coming years.

5.5. Respect for Human Rights and the Fight against Corruption and Bribery

5.5.1. Compliance: Code of Ethics, Compliance Unit, Whistleblower's Channel

Prisa's Code of Ethics, referred to in section F.1.2. of the *Annual Report on Corporate Governance* contains the catalogue of principles and rules of behaviour that govern the actions of the companies that make up the Prisa Group and of all of its employees in order to ensure ethical, responsible behaviour in the performance of their activity.

The Code includes some general ethical principles regarding human rights and public freedoms, professional development, equal opportunities, non-discrimination and respect for people, health and safety at work and environmental protection.

The company also has a compliance unit, as described in section F.1.2 of the *Annual Report on Corporate Governance*.

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

The Group's main business units also have their respective compliance units, which report to and act in coordination with the Prisa Compliance Unit. In turn, due to their relevance or because of legislative requirements in the countries in which they operate, some Group companies have created specific compliance units or have a designated compliance officer. In this regard, there are compliance units or officers in companies in Brazil, Portugal, Mexico, Ecuador, Colombia and El Salvador.

In addition, as described in section F.1.2 of the *Annual Report on Corporate Governance*, Prisa has a Whistleblower's Channel.

For making queries related to the Code of Ethics and other topics in the area of internal regulations and compliance, company employees also have a compliance mailbox (cumplimiento@prisa.com) managed by the Compliance Unit.

There are also compliance mailboxes associated with each business's compliance units, which are redirected to the company's compliance mailbox, through which doubts can be raised regarding the Code of Ethics and other topics and inappropriate behaviour can be reported. Reports are handled following a procedure similar to the one defined for those received through the Whistleblower's Channel.

30 reports were received in 2018, which were addressed and resolved completely during the financial year. Of the reports analysed, it was concluded that 16 of them were unfounded.

5.5.2. Respect for Human Rights

Prisa's Code of Ethics, also included in section F.1.2 of the *Annual Report on Corporate Governance*, contains general ethical principles on human rights, amongst other items. Prisa undertakes to respect and protect human rights and public freedom. As part of this commitment, it highlights respect for human dignity as its main goal.

5.5.3. Fight against corruption and bribery

The Code of Ethics contains the basic principles regarding internal control and prevention of corruption, regulating aspects such as reliability of information and record control, bribes, measures against corruption, prevention of money laundering, and payment irregularities.

During FY 2018, all Group employees in Spain have received the Compliance Guide, which reminds us of some principles and rules of behaviour set out in the Code of Ethics, including those relating to fair labour practices and other aspects relating to action in the fight against corruption, such as fraudulent payments, money laundering and relationships with the Administration and suppliers.

Principles in the area of internal control and prevention of corruption are strengthened by policies that the company has developed, such as its Anti-Corruption Policy, which states its commitment to the fight against corruption in all forms, in all areas of action and in all the countries in which it has operations, and it understands that corrupt practices pose a serious legal and reputational risk for the companies in its business group. This Policy establishes some guidelines, precautions and procedures that must be observed by all professionals and businesses of the Group in the exercise of their business activity.

The company has also issued some specific guidelines that aim to reinforce the measures to prevent and avoid, on behalf of the businesses of Prisa Group, any money laundering from criminal or unlawful activities.

As one more measure to prevent bribes and fight against corruption, the Company also has a Gifts Policy that aims to guide professionals and responsible bodies of the Prisa Group to make correct decisions as regards offering or accepting gifts, services or other favours within the framework of the Prisa Group's business relationships.

In addition, the company also has an Investment and Financing Policy that aims to establish an appropriate framework in relation to the analysis, approval and control of investment or divestment projects applicable to the businesses of the Prisa Group and that covers the financial, control and financial risk management needs of the businesses of the Prisa Group.

5.6. Social information

5.6.1. The company's commitment to sustainable development

Prisa is committed to the cultural development of the people and the advancement of society in the countries in which it operates, providing top-quality content in education, information and entertainment. Permanent dialogue with the community allows the Group to discover the expectations and interests of societies where it has operations and to be able to get involved in their development.

Measuring performance

Santillana	32 million students	94 million books
Prisa Noticias	126 million unique browsers	
Prisa Radio	40 million unique browsers	22 million listeners
Media Capital	24h audience 23.8%	Prime-time audience 26.7%

Since its beginnings, the Group has championed integrity, independence, quality and innovation as the main premises for the continuous improvement of the content it offers to society.

Management approach and risks

A lack of integrity, independence, quality and innovation could cause a loss of credibility within the community and the company's reputation and image could be damaged.

To avoid these risks, Prisa adopts a series of mechanisms or professional ethical standards, contained in the Group's Social Responsibility Policy, such as the *Copy Statute* for **El País**, which describes its commitment to independence, integrity and journalistic quality, *The Style Book* for El País, which details the principles of coherency, ethics and professional humility that have not only marked the passage of El País, but which are still in effect and are periodically reviewed to ensure maximum integrity in the Group's informational work. In 2018, *The Style Book* for El País was used by its 372 writers. In addition, it has the independent figure of the Reader's Ombudsman, created to defend the interests of readers and ensure compliance with the codes set out in *The Style Book* for El País.

All of these rules have also been followed over the years by the other Prisa media. In 2018, **Diario AS**, the Group's sports publication, drew up the *Style Guide* for AS, which defines its statutory principles and an internal copy code for unifying forms of expression that provide the publication with a personality and make reading easier.

In the same way, the *Style Guide for Spoken Journalism* for **Cadena SER** was drawn up in 2017, detailing the habits required for expressing yourself and dealing with information as the best radio journalist and, ultimately, for providing efficient, ethical journalism with integrity. 100% of the professionals at Cadena SER are bound to comply strictly with these principles. The general management of Cadena SER are responsible for supervision and coordination and the news department and the broadcast department report directly to them.

In addition to these standards, the Group has an editorial committee, which reports to the Prisa Board of Directors, and their mission is to support and advise the editorial and feature teams and management of the Prisa media to ensure that they perform their work after the appropriate comparison and discussion when selecting the subject matters to be tackled. This committee is governed by "Principles of Working and Organisation" approved by the Board of Directors.

With regard to **Media Capital**, editorial independence is protected by law in Portugal regarding matters that affect the work of journalists and the information they produce (not content of any other nature). This is established and guaranteed by the Constitution, in legislation for the sector (TV, press, radio) and in the Editorial Statutes, controlled by a sector watchdog for social media (ERC). Television law prohibits managers or members of the Board of Directors from interfering with editorial work or with journalistic content, as these matters are reserved for the news director, responsible for guiding and supervising the journalistic content created by the writers. Fines are heavy and are set by law. Therefore, in the area of Media Capital, in relation to informational content, there is no committee that can deal with journalistic content or content from the news area, outside the News or Copy Department of TVI/Radio/Prensa.

With regard to **Santillana**, the content of the books published all around the world is conditioned by the curriculums determined by the government of each country or administration for each of the school subjects. The content taught and the manner of teaching and learning at school are key to the educational process.

Anywhere that educational materials and books are published, there are corporate, global and national committees that meet regularly and continuously to make decisions with reference to building the editorial process.

In the area of education, the 32 million users that learn with Santillana’s educational services and content in Latin America and Spain and the 2.2 million that use its digital ecosystems recurrently are a live observatory of trends and experiences for the company and monitoring them through data visualisation and analysis systems allows Santillana to become more familiar with the real needs of students and create more effective content.

These mechanisms and standards can be seen in more detail in Prisa’s Sustainability and Social Responsibility Report.

Simply exercising Prisa’s business activity involves a significant contribution to the development of a democratic, sustainable society. The Group assumes responsibility not only in the way it manages and runs its businesses, but also through its content and activities, in order to raise awareness and drive and disseminate knowledge.

It continued to work hand-in-hand and in coordination with UN, UNESCO, FAO and UNICEF agencies in 2018. These partnerships support the Group’s commitment to defending human rights and spreading information on sustainable development, education, quality journalism and childhood.

Prisa collaborates with the Food and Agriculture Organisation of the United Nations (FAO) on covering, addressing and disseminating information on sustainable development, hunger, food and poverty. It does so from its headquarters in Rome with a journalist for *Planeta Futuro,* the space that El País dedicates to sustainable development. In this way, the newspaper has direct access to the organisation’s publications so it can write news pieces with more integrity.

It also works with the United Nations Educational, Scientific and Cultural Organisation (UNESCO) to support common values, such as freedom of expression, freedom of the press and safety for journalists, and education, in particular teacher training. In the field of education, the agreement especially centres around driving expansion and improving education in Latin America through teacher training, and also around the appropriate use of learning resources, the use of technologies and improved educational management and assessment.

Prisa also collaborates with UNICEF to strengthen how matters of childhood are addressed and raise visibility of the work it does, which strengthens the Group's position through its total rejection of child labour and forced labour.

Social, cultural and environmental action

Prisa runs intense social, cultural and environmental actions through different initiatives and own projects, and it participates on relevant social platforms and in organisations that promote these same values in the communities where it has operations.

As an example of this, it is an active member of the United Nations Global Compact through its Spanish network and it forms part of its executive committee, committed to the ten principles through which this global organisation drives human rights, anti-corruption, labour rights and environmental care.

Prisa is, likewise, one of the group of companies that form the SERES Foundation. In 2018, it was actively involved in raising awareness of the work that the foundation does and in disseminating its SERES Awards, an acknowledgement of the best strategic and innovative actions that generate value for society and the company.

In the field of education and culture, Prisa maintains a network of agreements with cultural, scientific and educational institutions and entities, both in Spain and in Latin America, including the Organisation of Ibero-American States, the Inter-American Development Bank, the Pro Real Academia Española Foundation, the Instituto Cervantes, the Barcelona Museum of Contemporary Art, the Carolina Foundation, the Spanish-Brazilian Cultural Foundation, the Institute of Design (IED) and the Teatro Real Foundation, amongst others.

In 2018, it extended its sponsorship of the Teatro Real bicentenary event—which is gaining exceptional public interest—involving an increase in its usual collaboration and it has also continued to support the Botín Centre in Santander, as part of its commitment to culture and education, helping to raise awareness of its activities.

In the area of university education, the Group collaborates with the Autonomous University of Madrid, the Complutense University of Madrid and Tec Monterrey (TEC), amongst other institutions of higher education. The offices of the Santillana Foundation in America (Colombia, Brazil, Argentina and Peru) run similar activity programmes in the fields of education and culture in collaboration with numerous institutions and with the ministries of education and culture in the respective countries. Prisa also has a presence as a sponsor of the Fundación Conocimiento y Desarrollo (CYD), which drives excellence at university through reports and *rankings*.

It collaborates with the Fundación de Ayuda contra la Drogadicción (FAD)—of which it is a sponsor and member of its media committee—on increasing its messages of awareness and prevention regarding drug use and other risk behaviours that prevent the personal and social development of adolescents.

It has also been a supporter of the World Wildlife Fund (WWF) since 2008, through Planet Hour, the largest worldwide initiative for citizen mobilisation against climate change.

Prisa forms part of the Emergency Committee, which brings together different NGOs (Acción contra el Hambre, ACNUR Spanish Committee, Médicos del Mundo, Oxfam Intermón, Plan International and World Vision) to jointly address the citizen response to the situation of humanitarian crisis. In 2018, the Emergency Committee was activated to channel solidarity in the face of the earthquake and the tsunami in Indonesia, and the Group media collaborated in raising funds to help deal with those human needs.

In the field of innovation, research and development, Prisa is a founding patron of Fundación Pro CNIC (National Centre for Cardiovascular Research) and disseminates its campaigns. Once again this year, Prisa supported *VIVE 2018,* organised by the VIVE initiative, a common project run jointly by the SHE Foundation and the Pro CNIC Foundation to encourage habits for a healthy lifestyle amongst small children. In that way, the children of Prisa employees also learn to lead a healthy life as they play.

In 2018, Prisa was *media partner* for *EnlightED, reinventing education in a digital world,* organised by Fundación Telefónica, IE University and South Summit, the world summit that brings together experts in education, technology and innovation to drive the big discussion on education in the digital era.

The media advertising contribution made by Prisa to raise awareness about the initiatives run by some of the entities with which the Group collaborated in 2018, such as the aforementioned Pro CNIC Foundation, SERES Foundation, Botín Centre or the World Wildlife Fund (WWF) amounted to a value of approximately EUR 1,150 thousand.

Prisa also does great work driving journalism, culture, innovation and sport by awarding some prestigious prizes. In Journalism, the Premios Ondas and the Premios Ortega y Gasset acknowledge the work of the best professionals and work done on radio and television and in music and advertising. In innovation, the Premios Cinco Días and the Premios #StartMeApp acknowledge initiatives in the area of business, universities, social responsibility and entrepreneurship. Lastly, the Premios As acknowledge the sporting achievements of the main figures in Spanish sport.

Prisa Noticias has a clearly global vocation and aims to give visibility to the defence of human rights, education, equality, immigration and the environment. It drives of participates in different debates, events and actions in line with this.

In education, Prisa Noticias has run two successful projects again this year: *El País con tu futuro,* which provides guidance and stimulation for young people when it comes to their professional future, and *El País de los estudiantes,* which aims to incentivise students to look more closely at journalism, awarding the most notable work.

The UAM-El País School of Journalism, created in 1986, belongs to a non-profit foundation integrated by the Autonomous University of Madrid and El País. The school's main activity is its *Master's in Journalism,* through which it has already trained more than 1,200 journalists who now work at more than one hundred publications around the world.

The Master's is a degree belonging to the Autonomous University of Madrid, specialising in training quality journalism in the Spanish language. In 2018, El País contributed EUR 220 thousand to this project.

Prisa Radio ran or participated in a group of actions in 2018 to drive social awareness campaigns in different areas or to benefit different NGOs.

Through its fundraising events—LOS40 Music Awards, Premios Dial 2018, Vive Dial-La igualdad necesita ritmo, LOS40 Primavera Pop and Premios Radiolé—it managed to disseminate messages from the different social causes and donate more than EUR 50 thousand to: UNICEF, the St Vincent de Paul Soup Kitchen and the Nuestra Señora de la Candelaria Home for the Elderly, the Fundación Mujeres Soledad Cazorla Grants Fund, the Aspadir Foundation and Diabetes Cero.

Santillana provides educational content and quality services and focusses on a continuous discussion about education with a special interest in reading as a tool for social improvement, key to reinforcing children's imagination and creativity in response to the challenge of creating a freer and more equal society.

The Santillana Foundation continued its educational forums in different countries in and the *Vivalectura* Contest in 2018, both initiatives that are acknowledged and valued within the sector.

Cultural activity is also represented by milestones such as *Conversaciones Literarias de Formentor*, a festival that is in its 11th year and brings together writers, editors, critics and teachers, in collaboration with the Guadalajara International Book Fair (Mexico). It is also worth noting the *Foro de Industrias Culturales*, a meeting point for professionals and experts, who tackle the challenges in the cultural sector; the *Congress on Cultural Journalism*, which brings together professionals from the press, radio, television and digital media responsible for writing up on Spanish cultural news; and the *II Festival de Filosofía*, arranged jointly by the Madrid City Council and the Complutense University with talks by philosophers and essayists.

We should also highlight the *Master's in Governance and Human Rights*, from the Jesús de Polanco Academic Chair for Ibero-American Studies, created by the Autonomous University of Madrid and the Santillana Foundation, which contributed EUR 60 thousand to this project in 2018, and the *Creative Industries Network*, which runs training courses through which young businesspeople in the cultural industry learn to develop their capacity for innovation and acquire new competitive skills.

Media Capital runs different actions in the areas of social inclusion or training and gets involved in any social aspect through the participation of the main figures in its business units in order to increase the scope of the messages and initiatives, paying special attention to minority communities or anything relating to natural, social or economic disasters.

5.6.2. Responsible supplier management

5.6.2.1. Goals and policies

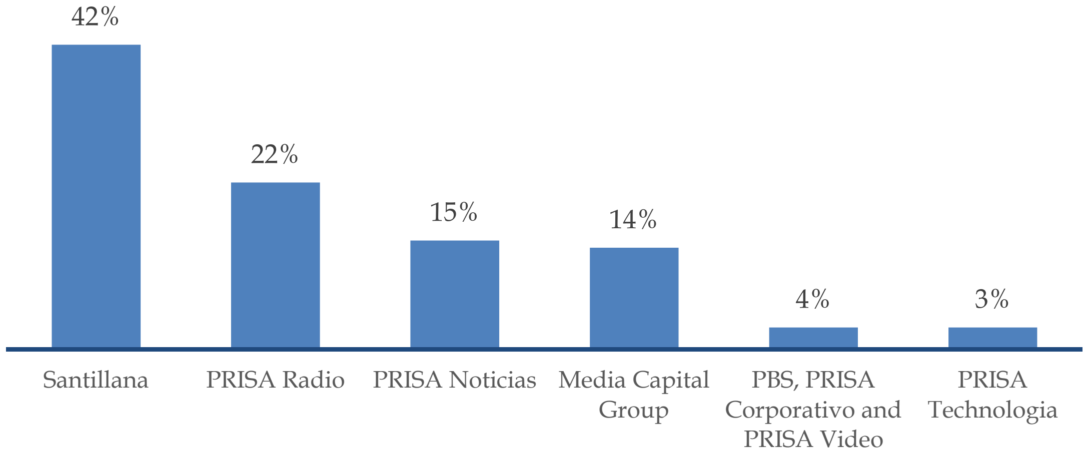
The goal of Prisa's purchasing policy is to build a solid base of suppliers and collaborators to make it easier for all the companies to purchase goods and services using criteria of efficiency, cover and technical and productive capacity, in addition to guaranteeing integrity and respect for human rights and environmental protection. The Purchasing Department channels relationships with all of the Group companies through a procedure that is consistent with the principles contained in the Code of Ethics and is based on objectivity, transparency and non-discrimination.

It always acts under the following premises:

- The information provided in any purchasing process will be identical for all suppliers in order to drive legitimate competition.
- No supplier will be invited to participate in a process to cover formal aspects.
- The supplier will be informed of both the decision-making criteria and the result. Continuous improvement plans will be put in place to increase quality and benefit for both parties.

5.6.2.2. Impact of purchases

Supplier transactions generated expenditure of more than EUR 765 million in 2018. This figure highlights the importance of managing our value chain and the indirect impact associated with it.



5.6.2.3. Local development

Prisa is committed to the local development of suppliers in the countries where it has operations. 86.45% of the purchase budget goes to local suppliers (with a registered address for tax purposes in the country where the purchase and payment for the product or service is made).

5.6.2.4. Impact on social and environmental matters

No significant impact on social and human rights matters has been identified in the value chain through the communications channels established for suppliers.

As regards the environment, there is an impact associated with paper consumption (Santillana and Prisa Noticias combine 57% of our volume of payments to suppliers). To mitigate this, the Group follows the initiatives described in the section on consumption control, in addition to the sector being immersed in a process for conversion to digital content production.

5.6.2.5. Supplier assessment and monitoring

For the Group suppliers that are most representative due to their invoicing volume and for each business unit, periodic assessment and monitoring is run in seven areas (QA surveys[11]), including ethics and good governance, environmental and quality management, and occupational risk prevention.

The suppliers assessed on environmental aspects, work practices, human rights and other social factors in 2018 are listed below:

No. of suppliers assessed regarding the environment	No. of suppliers assessed regarding work practices	No. of suppliers assessed regarding human rights	No. of suppliers assessed regarding social factors
308	**459**	**459**	**459**

5.6.3. Consumers, users, readers and listeners

Prisa's businesses, activities and investments in the area of television, education, radio and press are subject to a regulatory framework that is specific to the sector where these businesses are run. Except for press business or some activities in the area of education, where there is a direct relationship with the consumer and/or user, the General Spanish Law in Defence of Users and Consumers (Spanish Royal Legislative Decree 1/2007 of 16 November, as revised by Spanish Law 3/2014 of 27 March) is not applicable.

In relation to consumer complaint systems, apart from the Whistleblower's Channel for third parties, accessible on the corporate website, the business units have specific channels for dealing with all kinds of complaints and queries from third parties including readers or listeners, even when they are not legally considered consumers and/or users.

Some of the channels used in Spain for dealing with users, readers and listeners are listed below. For press, both the hard-copy and digital versions of El País, Diario As and Cinco Días provide readers with a customer service number, and a contact form is also provided in the digital version.

El País, Diario As and Cinco Días have a Customer Service Centre, which dealt with a total of 5,671 calls and managed 2,946 emails in April 2018, for example, as a typical month (not affected by seasonality). Of the calls, 86% were in relation to subscriptions, 9% to promotions and 5% to other miscellaneous. Of the emails managed, 65% referred to subscriptions, 11% to promotions, 5% to sales information, 3% to content and the remaining 16% to other. In addition, El País has a Reader's Ombudsman.

For Radio in Spain, there are two listener mailboxes, which are promoser@cadenaser.com and privacidad@prisa.com. As regards education, specifically for the santillanatiendaonline.es shop,

[11] QA (Quality Assurance) Survey: quality assurance forms that suppliers complete on the Supplier Portal.

there is a contact form, an email and a free contact telephone number, and Santillana's BeJob has email contact details on its website.

5.6.4. Tax information

Below are details of EBIT country by country, calculated as the sum of individual results for the subsidiaries—except in relation to Editora Moderna, Ltda., GLR Chile, Ltda. and Grupo Media Capital, SGPS, S.A., which are consolidated—located in each country, without any deletions.

Country	Thousands of euros
Spain	917,269
Portugal	47,822
Brazil	25,094
Colombia	14,995
Chile	12,240
Guatemala	9,159
Argentina	6,258
Ecuador	5,808
Mexico	4,228
Other countries	16,712
Total	**1,059,585**

The sum of income tax paid in 2018 amounts to EUR 29,077 thousand.

There were no significant subsidies received by the Group.

6. RESEARCH AND DEVELOPMENT ACTIVITIES

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

In 2018, the **Press** business unit continued driving developments in the areas of content distribution, data and distribution. The creation of **Content API** has been particularly important, which allows consolidation of all the content in a database that enables big data analysis and greater agility in content distribution, among other functions. El País already has all its content accessible in this Content API, and the As is preparing to be included soon.

In the area of distribution, the content of As and El País have been available since February 2018 in the Google Play Kiosk news application, and interactive applications have been developed for Google Assistant and Alexa. In March, the Movistar eSports portal will be integrated on As.com, a website with content on the thematic channel of the Movistar Television platform;

and in April the **As Arabia portal** will be launched, a Joint Venture with the group Qatarí Dar Al Sharq, to bring the best sports information to 25 countries in the Arabic world. Web notifications are also activated in As, with 2 million users, a test is being conducted with WhatsApp to test its value as an interactive channel where the user can find the most relevant sports information of the day, and an agreement has been reached with Twitter for the creation of a new live football service adapted to new consumption tendencies and aimed at improving monetisation.

El País and As are also pioneers within the ecosystem of smart speakers: with their newsletters and applications, they are strategic partners of the launches in April for Google devices, and in October for Amazon and Apple devices; El País is also the first medium in Spanish that has a sponsorship of a newsletter for these platforms. Part of this effort towards the new audio ecosystem is the creation of a podcast platform that allows the publication of this type of content on the websites of both El País and As, and on the main platforms of Apple and Google.

2018 has also been testament to significant efforts to improve the technical performance of the sites for optimal reader experience. **Akamai CDN** has been implemented in El País, which allows improved performance of elpaís.com from any access point anywhere in the world. Web page optimisation improvements were also implemented in As in October, which improve the speed when loading the page. The improvements spurred results of up to a 30-point increase in the tests performed with Google tools.

The advances in data modelling and machine learning that have occurred this year are significant. Predictive models of propensity for registration and segmented web campaigns have been created at El País, allowing new advertising models based on data, which are receiving an increasing demand among premium advertisers. dKPI monitoring tables have been developed that were not previously systematically accessible, such as editorial production, article engagement, their exposure and traffic, and segmentation of the different browsing metrics by audience tiers.

Finally, since As and El País collaborated with Google for the Spanish training of **Perspective API**, an artificial intelligence has been created that makes it possible to automatically detect the toxicity of user comments, facilitating moderation and raising the level of conversation in the media. The impact of this is reflected in the demonstrated interest in other relevant mediums that want to replicate the experience in their respective languages.

In 2018, **Prisa Radio** concentrated its innovative efforts on the distribution and monetisation of digital audio, both live and on demand.

The main lines of progress were:

- The development of applications for **smart speakers** for the brands SER, LOS40 and Podium. These applications allow accessing content with simple voice commands, such as "Listen to Cadena SER", "Give me the latest news" or "Put on El Larguero" and are compatible with the platforms Alexa, Amazon and Google Assistant.
- The creation of a new generation of our production platform for **mobile radio applications** for both spoken and musical formats. This "factory" makes it possible to generate and maintain low-cost applications for listening to live and on demand content, adapting to the needs of stations of any size.

- The creation of new **web players** for spoken radio stations in Colombia, Mexico, Chile and Argentina, that offer easy and organised access to all the richness of content offered by the brands. These players have been optimised for use on mobile devices.
- The development of a system that allows the **automatic extraction of news bulletins** in local and national broadcasts. The automation of the process allows news summaries to be available within minutes of their broadcast on all distribution channels.
- The integration of our audio advertising ecosystem with **data platforms**. Thanks to this, we can offer online audio campaigns -direct and programmes- segmented with our own data and third-party data.

In the field of **Education**, Santillana has focused especially on issues related to research on innovation and transformation in schools, in-depth analysis of different trends related to education, and the continuation of the **SantillanaLAB** space in order to deepen the knowledge of the current educational reality and its demands for products and services.

The #SantillanaLAB observatory has allowed the exploration of in-depth questions related to the methodological innovation that is taking place in schools in Spain and Latin America; learning about the new actors in the current educational process; going in-depth into everything related to the new products and services that schools, teachers, students and families have within their reach; and delving into everything related to education and technology. As a result, a total of nine dossiers have been produced, with approaches as attractive as GAFAM and education; Conquerors of the 21st and 22nd centuries; Deep learning; Is each brain a world?; Learning in a world of screens; The future is made of mathematics; Is the new editorial the teacher?; The user is the new curriculum; Learning, land of phenomena; and Contrived Artificial Intelligence?

Furthermore, understanding how educational transformation and innovation are being approached in schools, how it affects the way schools are organised, how teachers and students work, how they relate to each other and how they learn, were the object of the **study carried out jointly with the research team from the University of Granada**. The aims of this study were not only to identify and characterise the specific topics on which educational innovation is developed in Spain, but also to identify and characterise the working tools used by teachers, the methodologies that are bursting into classrooms, the conditions that facilitate or hinder new educational practices, and the processes that are carried out in the schools that develop transformation projects. The lessons learned have been published in a document that also contains a proposal for an action plan for Santillana.

Through the #SantillanaLAB space, we have continued to explore topics such as educational video (or the educational use of video), with the aim of conceptualising a commercial product or service based on the consumption of audiovisual content curated and added from Santillana; podcasts in education, to understand the role of the podcast in our classrooms and in the learning process, including the development of prototypes that have been part of several pilot experiences; #artthinking as a transversal methodology that can be shaped into a differential proposal for Santillana; and the possibility of extrapolating the lessons of the Fontán pedagogies to other countries and regions.

K-12 **Math** and the products on the market were another essential focus throughout 2018, and in this case the objective was the development of a map of mathematics offers for primary and secondary schools, which served to collect, unite and standardise all the information available from our area. All this knowledge has become a tool called the "Brújula de las Matemáticas", which allows us to have a detailed picture of products and services in Spain, Latin America, USA, United Kingdom, Japan, India, China, Korea and Singapore, but also to understand trends in the teaching of mathematics, methodological currents and the arrival of new players that understand the need to improve the teaching and learning of mathematics.

Finally, the leading role of communication spaces and forums should be highlighted: **IneveryCREA** (nominated as the Most Influential Educational Portal in the II National Awards of Educational Marketing), and the **SantillanaLAB blog**, which we worked with throughout 2018 to merge it with the "Líderes Compartir" initiative.

At the same time, in 2018 R&D&I has taken on commercial tasks related to **SET VEINTIUNO**, with the idea of complementing and extending the arrival of the commercial network in Spain, taking advantage of the advanced knowledge of a product required for a consultative sale, or approaching the sale from a perspective of innovation while also understanding the new educational reality.

For its part, **Grupo Media Capital** focused mainly on the following lines of progress in 2018:

- Investing in the creation of new digital content for distribution on the different platforms and media of the Grupo Media Capital, with special importance given to the application "*TVI Player*". It also invested in radio applications for the launch of 14 new radio stations in their digital version, along with the traditional versions in FM.
- Development of the "*Onlive*" project, which allowed for live broadcast (*streaming*) of the Grupo Media Capital television channels and videos in the different websites of the Group.
- Association with *Weather Channel* to develop new innovative ways to disseminate meteorological information to municipalities.
- Creating an integrated solution ("*All in one*") for payment via mobile devices.
- The "*Proyecto Nónio*" developed the creation of a digital advertising market with professional content, which promotes increased effectiveness of advertising.

7. LIQUIDITY AND CAPITAL RESOURCES

7.1. Financing

Note 11b *"Financial Liabilities"* of the accompanying notes to the consolidated financial statements of Prisa for 2018 provides a description of the use of financial instruments by the Group.

7.2. Contractual commitments

Note 14 "Operating Expenses- Operating leases" and note 23 "Future Commitments" to the consolidated financial statements provide information on firm commitments giving rise to future cash outflows and associated with purchases and services received and any operating leases for buildings and the radio frequencies.

7.3. 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, (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.

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, 2018, Promotora de Informaciones, S.A. held a total of 1,622,892 treasury shares, representing 0.291% of its share capital.

Treasury shares are valued at market price at December 31, 2018 (1.76 euros per share). The total amount of the treasury shares amounts to EUR 2,856 thousand.

At December 31, 2018, 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, 2018 consisted of 558,406,896 ordinary shares. These shares are listed on the Spanish stock exchanges (Madrid, Barcelona, Bilbao and Valencia).

During 2018, several operations have taken place, which have modified total share capital:

- As of February 2018, a capital increase with preferential subscription rights took place amounting EUR 441 million through the issuance of 469,350,139 new shares. Total effective amount of capital increase, considering nominal value and share premium amounted EUR 563 million.

- At the same time and in relation to the warrants issued pursuant to the resolutions of the General Shareholders' Meeting of the Company held on December 10, 2013, throughout 2018, warrants have been exercise by certain institutional investors in two occasions, which has led to carry out the corresponding capital increases amounting 140,524 shares and 88,870 shares respectively.

Main shareholders in the Company´s share capital in 2018 were Amber Capital, HSBC, Telefónica, Rucandio, Adar Capital, International Media Group, Consorcio Transportista Occher S.A, Bank Santander and Carlos Fernandez. Free float stood at around 17%.

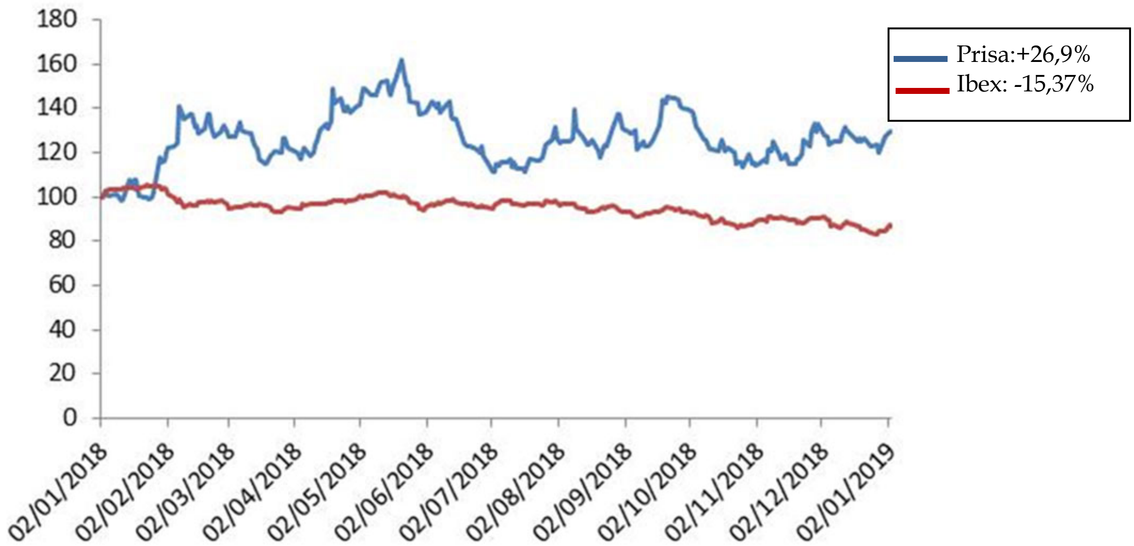
Share price performance

Prisa ordinary shares started 2018 trading at a price of EUR 1.39 per share (January 2, 2018) and ended the year at EUR 1.76 per share (December 31, 2018), implying a revalorization of 26.9%.

Prisa's share price performance in 2018 has been conditioned to the Company capital structure and financial structure and to the Company operating evolution.

During 2018, 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.At the same time, during 2018, several measures have taken place including management changes, the launching of an efficiency plan and public credit ratings among others.

The following chart shows the performance of the Prisa Group's shares relative to the IBEX35 index in 2018, indexed in both cases to 100:



Source: Bloomberg (January 2, 2018- December 31, 2018)

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 of Grupo Prisa located in Spain rises, in 2018, to 71 days.

The maximum legal period of payment applicable in 2018 and 2017 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 continue reducing 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

On February 26, 2019, the Board of Directors approved the acquisition by Prisa Group of the remaining 25% of the share capital of Santillana currently controlled and held by DLJSAP Publishing Limited ("DLJ"), a company owned by funds managed or advised by Victoria Capital Partners.

In the same date, Prisa Activos Educativos, S.L. —a subsidiary wholly-owned by Prisa—and DLJ entered into a sale and purchase agreement in relation to the quotas representing 25% of the share capital of Santillana.

The price of the acquisition was a fixed amount of EUR 312.5 million (the "Total Consideration") which will be fully paid in cash.

The Total Consideration will be funded by Prisa through a combination of: (i) the proceeds of a capital increase by means of cash contributions, with preferential subscription rights, to be carried out in the amount and on the terms determined by the Board of Directors and (ii) cash available on the Company's balance sheet funded mainly from the net proceeds of the capital increase with preferential subscription rights carried out in February 2018.

The closing of the acquisition is subject to obtaining the required authorization from the Spanish competition authorities—which is expected to be notified immediately and obtained during March 2019—and to the execution of the capital increase above mentioned. Banco Santander, S.A. and Prisa have entered on the same date into an agreement, subject to customary terms of this kind of documents, whereby Banco Santander, S.A. has committed to underwrite the capital increase in an amount of up to EUR 200 million at a subscription price to be determined in the corresponding underwriting agreement.

On March 7, 2019, the authorization of the Spanish competition authorities was obtained.

12. ANNUAL CORPORATE GOVERNANCE REPORT

The Annual Corporate Governance Report for the year 2018, which is part of the Director´s Report, has been approved by the Board of Directors of Promotora de Informaciones, S.A. on its meeting held on March 12, 2019 and is available on the web sites of the Company (www.prisa.com) and the CNMV (www.cnmv.es)

REPORT ON THE VERIFICATION OF THE NON-FINANCIAL INFORMATION STATEMENT INCLUDED ON THE MANAGEMENT REPORT ISSUED BY AN INDEPENDENT VERIFIER

To GRUPO PRISA shareholders:

Pursuant to paragraph 6 of Article 49 of the Code of Commerce, approved by Real Decreto dated 22 August 1885, amended by Law 11/2018, dated 28 December, amending the Code of Commerce, in relation to non-financial information and diversity, we have verified the information non-financial included in the management report of the consolidated annual accounts for the year 2018 of the GRUPO PRISA.

We believe that the non-financial information included in point 5 of the management report of the consolidated annual accounts for 2018 of GRUPO PRISA is adequate in accordance with the requirements of paragraph 6 of Article 49 of the Code of Commerce, amended by Law 11/2018 to understand the progress, results, and the situation of GRUPO PRISA and the impact of its activity at least in relation to environmental and social issues, respect for human rights and the fight against corruption and bribery, as well as to staff, including measures that favour the principle of equal treatment and equal opportunities between men and women, non-discrimination and inclusion of people with disabilities and universal accessibility. As a result of the tests carried out, described in the following section, on the non-financial information included in the management report of the consolidated annual accounts for the year 2018 of GRUPO PRISA, no significant errors have been detected in said information.

Methodology and Verifier team

SGS' methodology for the verification of non-financial information consists of audit procedures and mechanisms to verify information and indicators, commonly accepted within the scope of the Conformity Assessment Bodies (as defined by Regulation (EC) no. 765/2008), such as the audit guidelines contained in standard ISO 19011, and particularly:

- Interviews with staff responsible for obtaining and preparing data
- Review of the non-financial information of the consolidated management report and its inclusion or not in accordance with the requirements set forth in section 6 of article 49 of the Commercial Code, as amended by Law 11/2018
- Review of the materiality analysis
- Review consisting of sampling of documents and records (both internal and public)
- Check consisting of checking the reliability and traceability of data
- Assessment of systems for the collection, management and handling of the information and indicators
- Contrast of the non-financial information with the information included in the annual accounts audited by a third party

The verifier team was composed of staff trained by SGS International Certification Services Ibérica, S.A.U (hereinafter referred to as "SGS ICS").

REPORT ON THE VERIFICATION OF THE NON-FINANCIAL INFORMATION STATEMENT INCLUDED ON THE MANAGEMENT REPORT ISSUED BY AN INDEPENDENT VERIFIER

Independence

We are an independent entity to GRUPO PRISA in accordance with the ethics requirements, including those related to independence that are applicable to our activities.

The administrators' responsibility in relation to non-financial information

The administrators of the parent company are responsible for the formulation of the consolidated management report and the non-financial information detailed in it accordance with paragraph 6 of Article 49 of the Code of Commerce, approved by Real Decreto dated 22 August 1885, amended by Law 11/2018, dated 28 December, amending the Code of Commerce.

The independent verifier's responsibility

The purpose of the mission that we have been entrusted is limited to obtaining reasonable assurance whether the non-financial information is free of any material inaccuracies due to fraud or mistake and to issuing a verification report on the non-financial information included in the Management Report of 2018 annual consolidated accounts of GRUPO PRISA containing our opinion.

While reasonable assurance means a high degree of assurance, it does not always guarantee the detection of material misstatement whenever it may exist, due to the fact that it may result from fraud or error.

SGS INTERNATIONAL CERTIFICATION SERVICES IBERICA, S.A.U.

March 5 th, 2019

Signed: Esther Martínez Pardo
SGS International Certification Services Ibérica, S.A.U

NOTE: *"This document has been originally drafted in Spanish, which will therefore prevail over the English language version in the event of any discrepancy."*

DECLARACION DE RESPONSABILIDAD SOBRE LAS CUENTAS ANUALES E INFORME DE GESTIÓN (QUE INCLUYE EL ESTADO DE INFORMACIÓN NO FINANCIERA) CORRESPONDIENTES AL EJERCICIO 2018, TANTO DE PROMOTORA DE INFORMACIONES, S.A. COMO DE SUS SOCIEDADES CONSOLIDADAS.

AFFIDAVIT OF ASSUMPTION OF LIABILITY WITH RESPECT TO THE 2018 ANNUAL ACCOUNTS AND MANAGEMENT REPORT (WHICH INCLUDE THE NON-FINANCIAL INFORMATION) OF BOTH PROMOTORA DE INFORMACIONES, S.A. AND ITS CONSOLIDATED COMPANIES.

12 de marzo de 2019

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 (que incluye el Estado de Información no financiera) correspondientes al ejercicio 2018, tanto de PROMOTORA DE INFORMACIONES, S.A., como de sus sociedades consolidadas, que han sido formuladas con fecha 12 de marzo de 2019, 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 2018 annual accounts and management reports (which include the non-financial information) of both PROMOTORA DE INFORMACIONES, S.A. and its consolidated companies, which were drawn up on March 12, 2019, 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. Javier Monzón de Cáceres

D. Manuel Mirat Santiago

Amber Capital UK LLP (representado por D. Fernando Martínez Albacete)

D. Roberto Alcántara Rojas

D. Waleed Ahmad Ibrahim AlSa'di

D. Khalid Thani Abdullah Al Thani

D. Javier de Jaime Guijarro

D. Dominique D'Hinnin

Dª Sonia Dulá

D. Francisco Gil Diaz

D. Javier Gómez- Navarro Navarrete

D. Joseph Oughourlian

D. Manuel Polanco Moreno