PRISA Group

Explanatory notes to the consolidated financial statements for the 2022 financial year

1. PRESENTATION BASES FOR THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE 2022 FINANCIAL YEAR

Consolidated financial statements

The consolidated financial statements of Promotora de Informaciones, S.A. and subsidiaries (PRISA Group or Group) for the 2022 financial year have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, in compliance 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.

These consolidated financial statements are presented in thousands of euros.

This financial reporting is prepared in order to update the latest approved consolidated financial statements of the Group, highlighting the new activities, events and circumstances that have taken place during the period and avoiding the repetition of information previously reported in the consolidated financial statements for 2021. Therefore, these explanatory notes do not contain all the information and disclosures required for a complete set of consolidated financial statements in accordance with IFRSs as adopted by the European Union. In order to correctly understand the information included in these explanatory notes, they must be read in conjunction with the consolidated annual accounts of the Group for 2021.

The IFRS 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.

As required by IAS 8, uniform accounting policies and measurement bases were applied evenly by the Group for all transactions, events and items in 2022 and 2021.

Individual financial statements

Promotora de Informaciones, S.A. (the Company or PRISA), as parent company of the Group, presents its financial statements in accordance with the Spanish General Accounting Plan set out in RD 1514/07 of 16th November, modified by the RD 1/2021, of 12 of January.

a) Evolution of the Group's capital and financial structure

During last year and in the present the Administrators of PRISA have taken a number of measures to strengthen the Group's financial and asset structure, such as asset sale operations, capital increases or issuance of bonds mandatorily convertible into shares and refinancing of its debt.

In 2020, Vertix, SGPS, S.A. (subsidiary fully owned by PRISA) sold its entire shareholding in Grupo Media Capital, SGPS, S.A. (Media Capital) for a total price of EUR 47.4 million, which implied an accounting loss of EUR 77 million. This amount, net of costs, was destined to partial repayment of syndicated loan of the Group existing at that time.

On June 29, 2020, the PRISA´s General Shareholder Meeting agreed to reduce in share capital of the Parent Company in order to re-establish its equity balance. Therefore, since June 30, 2020 and at December 31, 2022, the parent Company's equity is greater than two thirds of the capital stock, which is why it is in a situation of equity balance.

On October 19, 2020, PRISA, through its subsidiary Grupo Santillana Educación Global, S.L.U. (“Santillana”), signed an agreement with the Sanoma Corporation, for the sale of the Spanish educational business of Santillana addressed at pre K12 and K-12 segments (“Santillana Spain”). Santillana's activity in public and private markets in Latin America was excluded from the transaction and will continue to be developed by PRISA through Santillana. On December 31, 2020, the transaction was closed at an enterprise value of EUR 465 million and an it meant a total cash obtained from the buyer of EUR 418 million. This operation implied a capital gain of EUR 377 million. EUR 375 million of the cash obtained was destined to partial repayment of syndicated loan of PRISA existing at that time.

In February 2022 the Board of Directors of PRISA approved, by unanimity, the signing of a lock-up agreement (the "Lock-Up Agreement") that incorporates a term sheet with the basic conditions for the amendment of the Group's syndicated financial debt (the "Refinancing"). The basic terms of the agreed Refinancing consist, among other aspects, in the extension of the maturity of the financial debt to 2026 and 2027 and division of the syndicated loan into two differentiated tranches (one of Senior debt and one of Junior debt) and the flexibilization of the contractual commitments of the current debt that will allow, among other improvements, to increase PRISA's operating flexibility and soften the financial ratios required by its current contracts. Likewise, a Term Sheet has been signed with the basic conditions for the modification of the Super Senior debt (“Super Senior Term & Revolving Facilities Agreement”) of the Company that, among other terms, supposes an extension of the maturity of the debt to June 2026. On April 19, 2022, the Refinancing entered into force, once the agreements reached with all of its creditors had concluded.

The agreed Refinancing thus make the Group's financial debt more flexible and provide a financial structure allowing the Group to comply with its financial commitments, ensuring the Group's stability in the short and medium term.

In January 2023, the Board of Directors of PRISA unanimously agreed to issue subordinated bonds mandatorily convertible into newly issued ordinary shares of the Company, with pre-emptive subscription rights for PRISA shareholders. This issue took place through a public offer for subscription of up to a total of EUR 130 million, by issuing and putting into circulation up to a total of 351,350 convertible bonds. The maturity date of these convertible bonds and conversion into new shares will be on the fifth anniversary of the issue date, with a conversion price of EUR 0.37 per new share having been set. The convertible bonds will bear interest at a fixed annual rate of 1.00% (which cannot be capitalised) and payable upon conversion into ordinary shares. In February 2023, convertible bonds amounting to a total of EUR 130 million were subscribed, i.e. the full amount of the offer (see note 17).

This issue is an instrument to reduce PRISA´s syndicated financial debt, which is linked to a variable interest rate and which was refinanced in April 2022. This has enabled the Company to raise the funds necessary to partially pay off early the tranche of the PRISA's syndicated financial debt that constitutes its largest interest financial expense, i.e. the Junior debt tranche, which is benchmarked at Euribor+8% (including cash and capitalisable cost), which as at December 31, 2022 totalled EUR 192,013 thousand (see note 10). In February, 2023 the Group had cancelled EUR 110 million of Junior debt.

In February 2022, the Russian invasion of Ukraine took place, which has led the European Union to adopt a series of individual measures and economic sanctions against Russia. It has also caused great instability in international markets and a rise in the price of certain raw materials and materials, which has had a significant adverse impact on inflation in the countries.

Likewise, and in relation to COVID-19, which was declared a pandemic by the World Health Organization on March 11, 2020, the adverse impact of the virus has been reduced in recent months, thanks, among other things, to the efficacy and progressive extension of the application of vaccines. This has meant a relaxation of the restrictive measures implemented in the past. However, this positive evolution is not taking place equally among all the countries in which the Group operates, and in fact, the aforementioned Organization maintains the pandemic situation in force.

Considering the complexity of the markets due to their globalization the consequences for the Group's businesses are uncertain and will depend to a large extent on the remaining impact of the events mentioned above. Therefore, at the date of approval of these explanatory notes, we have carried out an assessment and quantification of the impacts that COVID-19 and the invasion of Ukraine had on the Group as of December 31, 2022. There is still a high level of uncertainty about its consequences in the short and medium term.

Therefore, the Directors and Management of the Group have assessed the situation based on the best information available. For the reasons referred to above, such information may be incomplete. As a result of this assessment, we highlight the following:

- Liquidity risk: the situation in the markets has caused an increase in liquidity pressures in the economy and a contraction in the credit market. To face this, the Group has in place a Super Senior debt ("S*uper Senior Term & Revolving Facilities Agreement*") to meet operational needs for a maximum amount of EUR 240 million, that were fully drawn as of December 31, 2022. Likewise, the rest of subsidiaries of the Group have undrawn credit facilities and other lines of credit with a limit amount of EUR 25 million. Additionally, the Group had a cash available of EUR 179.5 million. The foregoing, together with the implemented specific plans for the improvement and efficient management of liquidity, will make it possible to deal with these tensions.

- Operational risk: the changing and unpredictable nature of events could lead to the emergence of a risk of interruption in the provision of services or sales. Therefore, the Group has established contingency plans aimed at monitoring and managing its operations at all times. To date, no notable incidents have been revealed.

- Risk of change in certain financial magnitudes: the factors referred to above could adversely affect in the future to the Group's advertising revenues, the revenues of circulation and sale of education to the extent that there is an increase in costs or an adverse impact on revenues due to the current macroeconomic scenario, even though the Group has no trade relations with Ukraine or Russia. However, it is not possible at this stage to reliably quantify the impact of the above factors and events on future financial statements, given the constraints and limitations already indicated.

  Likewise, the invasion of Ukraine and COVID-19 and its macroeconomic impacts could also have an adverse impact on key indicators for the Group, such as financial leverage ratios and compliance with financial ratios included in the financial agreements of the Group. In this sense, with the agreed Refinancing in 2022, the Group's financial debt was made more flexible and endowed with a financial structure that makes it possible to meet its financial commitments (including financial ratios (covenants)).

- Balance sheet assets and liabilities measurement risk: a change in the future estimates of the Group's revenue, production costs, finance costs, credit quality of trade receivables, etc. could have an adverse impact on the carrying amount of certain assets (goodwill, intangible assets, deferred tax assets, trade and other receivables, etc.) and on the need to recognize provisions or other liabilities. The appropriate analyses and calculations have been carried out which have allowed, where appropriate, those assets and liabilities to be re-measured with the information available to date. At December 31, 2022 there have not been significant changes in the estimates at the end of 2021 in the aforementioned magnitudes, that have a negative impact on the consolidated financial statements, although the sensitivity margins were reduced in the analysis to determine the recoverable amounts of certain assets.

- Continuity risk (going concern): in the light of all the above factors, the Directors of the Group consider that the application of the going concern principle remains valid.

Finally, we highlight that the Group's Directors and Management are constantly monitoring the situation so as to successfully address any impacts, both financial and non-financial, that may arise.

b) Entry into force of new accounting standards

The application of the amendments and interpretations applicable from January 1, 2022 did not have a significant impact on the Group's consolidated financial statements for the present period.

The Group has elected not to early adopt other IFRSs issued but not yet effective.

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

c) Changes to estimates

Consolidated earnings and the determination of consolidated equity are subject to the accounting policies and standards, measurement bases and estimates applied by the Group’s directors in the preparation of the consolidated financial statements. The main accounting policies and standards and measurement bases are explained in notes 2 and 4 to the consolidated annual accounts for 2021.

In 2022, there were no significant changes in the accounting estimates made at the end of 2021, that imply a significant adverse impact on the consolidated financial statements of the current fiscal year.

d) Materiality

When determining the information to be disclosed in these explanatory notes on the different items of the financial statements or other matters, the Group has taken into account the relative importance in relation to the consolidated financial statements for fiscal year 2022.

e) Correction of errors

In the consolidated financial statements for the year 2022 there has been no correction of errors.

f) Information comparison

In accordance with commercial legislation, in addition to the figures for 2022, the figures for the previous year 2021 are presented for comparison purposes with each of the items in the consolidated balance sheet, income statement, statement of comprehensive income, statement of changes in equity and cash flow statement.

2. CHANGES IN THE GROUP STRUCTURE

The changes in the Group structure are set out in section 11 of Chapter IV on Selected financial information.

The most significant changes in the scope of consolidation in 2022 were as follows:

Subsidiaries

In January 2022, the merger of Prisa Noticias, S.L.U., Prisa Brand Solutions, S.L.U. and Prisa Tecnología, S.L. with Prisa Media, S.A.U. took place.

In April 2022, the company Caracol Broadcasting, Inc was sold for EUR 0.8 million.

In May 2022, 51% of Lacoproductora, S.L. was bought, without the amount of cash handed over or the consolidation of assets and liabilities of this subsidiary being significant. The sale agreement includes a cross option to buy and sell the remaining 49% at a fixed price plus a variable payment (subject to fulfilment of a quantitative objective), payable in 2024. The Group has recorded the fair value of this option as increased goodwill (see note 3 a), credited to a non-current account payable, insofar as it is a cross option to buy and sell at the same price for the buyer and the seller. In relation to this transaction, this option was considered to buy the remaining 49% of the capital, to determine whether there is control over the subsidiary according to IFRS 10.

In November 2022, the merger of Radio Rioja, S.A.U. and Sociedad Española de Radiodifusión, S.L.U. took place.

In December 2022, the merger of Sistemas Educativos de Enseñanza, S.A. de C.V., Lanza, S.A. de C.V. and Vanguardia Educativa Santillana Compartir, S.A. de C.V. with Richmond Publishing, S.A. de C.V. took place.

Likewise, in December 2022 Improve Education Services, S.A.S and Improve Learning S.A.S, Colombian companies belonging to the Education business, were created. The two companies are 50% owned by Educactiva Ediciones S.A.S and 50% by Distribuidora y Editorora Richmond, S.A.S.

Associates

In March 2022 the company Green Emerald Business, Inc was sold.

In April 2022, the company El Dorado Broadcasting Corporation and its investee company WSUA Broadcasting Corporation were sold for 0.3 million euros.

In July 2022, the stake in Radio Olot, S.A. was sale.

In November 2022, the stake in Planet Events, S.A. was sale.

These changes in the Group structure have not had a significant impact on the consolidated financial statements, that have not been disclosed.

Significant operations

In May 2022, Prisa Media, S.A.U. acquired the remaining 20% stake of Prisa Radio, S.L. to Grupo Godó for an amount of EUR 45 million. This acquisition has led to a reduction in “Reserves” and “Translation differences” of approximately EUR 17 million because, in accordance with IFRS 10, it corresponds to an equity transaction, due to the transaction is about the acquisition of minority percentages that has not given rise to a change in control. That reduction occurs as a result of deducting on acquisition price of EUR 45 million the associated non-controlling interest balance (*see note 8*). Of the total purchase price, EUR 15 million have remained pending payment, payable in May 2023, therefore, a liability for this amount has been recorded under the heading "*Other financial liabilities”* (current) in the attached consolidated balance sheet.

3. INTANGIBLE ASSETS

a) Goodwill

The detail, by business segment and in thousands of euros, of the goodwill relating to fully consolidated Group companies and of the changes therein in 2022 is as follows (thousand euros):

	Balance at 12.31.2021	Translation adjustment	Changes in scope of consolidation	Balance at 12.31.2022
Media	72,824	1,547	2,174	76,545
Education	36,718	3,957	-	40,675
Total	**109,542**	**5,504**	**2,174**	**117,220**

In financial year 2022, the "change in the scope" recorded in the Media segment was due to the purchase, in May 2022, of 51% of Lacoproductora, S.L., also including the fair value of the cross option for the buyer and seller to buy and sell the remaining 49%, as described in note 2.

The translation adjustments in 2022 is mainly due to the effect of change in exchange rate in goodwill resulting from investment in Grupo Latino de Radiodifusión Chile, Ltda. (Media) and Education companies in Brazil.

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The result of the impairment tests made has not revealed the existence of any impairment in these assets as of December 31, 2022.

b) Other intangible assets

Additions to the Group's consolidated financial statements under *"Other intangible asset"* during 2022 totalled EUR 40,641 thousand, corresponding mainly to:

- *'Prototypes'* amounting to EUR 27,184 thousand, relating to new prototypes for the publication of books at Santillana Group, mainly in Brazil and Mexico.

- *'Computer software'* amounting to EUR 12,742 thousand, relating to the computer software acquired and/or developed by third parties for Group companies.

An impairment of prototypes of Santillana has been accounted in 2022 for an amount of EUR 1,721 thousand.

The intangible assets in lease included in this balance sheet section correspond to the activation of the leases of administrative concessions of radio, for a net amount at December 31, 2022 of EUR 10,132 thousand (EUR 9,445 thousand in 2021).

The intangible asset amortization expense recorded in 2022 totalled EUR 37,192 thousand (EUR 36,407 thousand in 2021), of which EUR 4,157 thousand corresponding to the amortization of intangible assets held under leases (EUR 4,092 thousand in 2021).

4. PROPERTY, PLANT, AND EQUIPMENT

Additions to the Group's consolidated financial statements under *"Property, plant and equipment"* during 2022, corresponding mainly to:

- *'Plant and machinery'* amounting to EUR 1,394 thousand (EUR 1,416 thousand in 2021).

- *'Other property, plant and equipment'* (including property, plant and equipment in lease) amounting to EUR 12,858 thousand (EUR 11,429 thousand in 2021), mainly for investments made by Santillana in digital equipment's and learning systems (EUR 3,556 thousand), the acquisition of computers to the Group (EUR 3,643 thousand) and the renewal of lease contracts for vehicles, mainly Santillana Brazil (EUR 4,687 thousand).

- *"Land and buildings for lease"* amounting to EUR 11,936 thousand (EUR 13,366 thousand in 2021), mainly due to the activation or renewal of lease contracts for buildings and offices where the Group carries out its activity.

The balance in the property, plant and equipment in lease, mainly correspond with the activation of the contract leases of offices and warehouses of the Group for a net amount of EUR 47,440 thousand as of December 31, 2022 (EUR 53,298 thousand as of December 31, 2021). In addition Education includes technological equipment in lease for use in the classroom by students and teachers integrated into teaching systems for a net amount of EUR 7,408 thousand, in the heading "Other items of property, plant and equipment" (EUR 8,206 thousand as of December 31, 2021).

The property, plant and equipment amortization expense recorded in 2022 totaled EUR 33,817 thousand (EUR 41.910 thousand in 2021) of which EUR 24,696 thousand corresponding to the amortization of property, plant and equipment held under leases (EUR 33,604 thousand in 2021). The decrease in the amortisation expense in financial year 2022 is due to the renegotiation of the Miguel Yuste offices contract (Madrid) which meant a supplementary fee in December 2021 (EUR 20 million) was included. This was mainly associated with the early exit of the buildings, the impact of which added to the recalculation of the lease liability and right-of-use asset in that year. Its effect on the consolidated income statement as at December 31, 2021 was EUR 12.7 million, recorded as a amortisation expense for tangible fixed assets. This impact corresponds to the portion of the fee associated with the buildings for which the effective exit has taken place before 31 December 2021. The earlier impact on the consolidated income statement as at December 31, 2022 was approximately EUR 1.2 million due to the supplementary fee associated with the building that was abandoned at the end of financial year 2022, with the remainder being charged to the consolidated income statement in the following years, as the associated right-of-use asset is amortised, considering the estimated effective exit of the remaining buildings.

5. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

During 2022, changes in *"Investments accounted for using the equity method"* in the accompanying consolidated balance sheet is mainly due to the results participation in Sistema Radiópolis, S.A. de C.V., and by the effect of the exchange rate.

The result of the impairment test made in 2022 has meant there is not an impairment in the net investment of Sistema Radiópolis, S.A. de C.V.

6. NON-CURRENT FINANCIAL ASSETS

The variation in the heading "Non-Current Financial Assets" is mainly due to the cancellation of the loans granted to Green Emerald Business, after the sale of the company, for a net amount of EUR 2,405 thousand. Likewise, a financial investment related to the participation of Prisa Radio in the associated companies El Dorado Broadcasting Corporation and WSUA Broadcasting Corporation for a net amount of EUR 1,411 thousand has been written off as a result of their sale (*see notes 2 and 9*). There is no significant impact on the Group's net profit in 2022 considering that the negative net equity of these subsidiaries was provisioned under the heading "Long-term provisions" (*see note 9*).

The new addition under the heading "Non-current derivatives" is due to an interest rate hedge arranged by PRISA of a nominal amount of EUR 150 million which caps the three-month Euribor at

2.25%. According to applicable accounting standards and the Company's analysis, it does not believe that the arranged product meets requirements to be considered effective, and so the change in the fair value of the hedge is posted to the consolidated income statement for each period. The amount recorded as at December 31, 2022 is the amount paid for arranging this hedge and which was pending being posted in the income statement during its validity period (until June 2025). In this regard, the expense recorded in 2022 totalled EUR 823 thousand *(see note 12).*

7. TAX MATTERS

Deferred Tax Assets and Liabilities-

The decrease in the caption "Deferred Tax Assets" amounting to EUR 9,378 thousand the effect of the accounting recognition of tax credits as a result of the losses generated in certain companies of Education (Santillana) and radio business in Latin America, from temporary differences recorded and from exchange rate fluctuations.

The decrease of EUR 1,441 thousand in "Deferred tax liabilities" mainly reflects the different accounting and tax allocation criteria for certain intangible amortisation expenses and certain institutional sales in Brazil.

Tax inspections-

In 2022 a ruling was issued by the Supreme Court on the audits on the tax consolidation group for the Corporate Income Tax corresponding to the 2006 to 2008 financial years, which confirms the ruling partially in favour passed by the National High Court and concludes the proceedings. No additional equity impact will be derived from these actions.

In 2022 a decision to deny leave to proceed regarding the Company's petition for review by the Supreme Court of the Value Added Tax for the period from June 2007 to December 2008 was passed, which concludes the proceedings. No additional equity impact will be derived from these actions.

In 2022, a petition for review by the Supreme Court of the ruling partially in favour issued by the National High Court on the Corporate Income Tax corresponding to the 2009 to 2011 financial years for the tax consolidation group 2/91, the parent of which is Promotora de Informaciones, S.A., was lodged.

In 2021, the audits relating to Value Added Tax for the periods 2016-2018 for VAT Group 105/08 were completed, with the signing of (i) a notice of agreement for the 2017 and 2018 financial years from which no tax liability arose and (ii) a decision upholding the tax assessment for the 2016 financial year, for an amount of EUR 147 thousand, which the Company paid this year and against which the appeal to the Board of Tax Appeals has been filed.

8. EQUITY

Share capital and Share Premium

As of January 1, 2022, the share capital of PRISA amounts to EUR 70,865 thousand and is represented by 708,650,193 ordinary shares, all of which belong to the same class and series, each with a par value of 0.10 euros, and have been fully paid up.

The Refinancing agreements provided for various financing, structuring and underwriting fees, which PRISA may pay, at its discretion, either in cash or in kind and PRISA has choosen to pay the aforementioned fees by means of their conversion into shares and consequent issuance of newly issued shares (see note 10). At the General Shareholders´Meeting held on June 28, 2022, it was resolved to increase the share capital by way of a compensation of credits by an amount of EUR 3,200 thousand, through the issuance and floating of 32,000.000 new ordinary shares with a face value EUR 0.10 each, of the same class and series as those currently outstanding, by credit compensation. The Shareholders' Meeting delegated to the Board of Directors the execution of the aforementioned agreement.

At the PRISA´s Board meeting held on the same day, June 28, 2022, it was agreed to execute the capital increase resolved by the Shareholders' Meeting, setting all its terms. As a result of this agreement, these shares have been subscribed and paid in full by the creditor entities of the aforementioned commissions through the compensation of their credits. As a result of said compensation, the aforementioned credits have been extinguished.

The new shares have been issued at face value of EUR 0.10 plus a share premium of EUR 0.534 per share, resulting in an issuance price per share (capital plus issuance premium) of EUR 0.634. The total amount of the share premium corresponding to the new shares is EUR 17,088 thousand, being the total effective amount of the capital increase of EUR 20,288 thousand (face value plus premium).

Consequently, as of December 31, 2022, the share capital of PRISA amounts to EUR 74,065 thousand and is represented by 740,650,193 ordinary shares, all of which belong to the same class and series, each with a par value of 0.10 euros, and have been fully paid up.

Non-controlling interest

The detail, by company, of the non-controlling interest at December 31, 2022 and December 31, 2021 is as follows:

	Thousands of euros	
	12.31.2022	12.31.2021
Caracol, S.A.	3,509	7,219
Diario As, S.L.	6,007	7,337
GLR Chile, Ltda.	-	9,017
Prisa Radio, S.L. and subsidiaries (Spain)	3,832	19,877
Other companies	727	1,499
Total	**14,075**	**44,949**

The decrease in the minority interests of Prisa Radio, S.L. and subsidiaries (Spain), as well as Caracol, S.A. and GLR Chile, Ltda. is a consequence of the purchase of 20% of Prisa Radio, S.L. described in note 2 of these explanatory notes.

9. LONG-TERM PROVISIONS

Long-term provisions include those for taxes, corresponding to the estimated tax liability amount arising from inspections carried out at Group companies (see note 7), provisions constituted to record the probable or certain responsibilities arising from workers' compensation to terminate their labor relations and third-party liability provisions for the estimated amount to cover probable claims and litigation against Group companies and other probable future obligations to employees. In addition, this section also includes the Group's interest in the net equity of companies registered using the equity method whose net value is negative.

The breakdown of "Long-term provisions" at December 31, 2022 and at December 31, 2021, is as follows:

	Thousands of euros	
	12.31.2022	12.31.2021
For taxes	698	624
For redundancies	6,243	7,111
For third-party liability and other	8,367	13,281
Total	**15,308**	**21,016**

The change in the provision for redundancies is mainly due to the short-term transfer of EUR 2,011 thousand which will be paid in 2023, offset with the provision of EUR 1,221 thousand recorded in the 2022 financial year.

On the other hand, with respect to provisions for third-party liability and other, as a result of the sale of the stakes in Green Emerald Business, Inc, WSUA Broadcasting Corporation and El Dorado Broadcasting Corporation described in note 2, the provisions associated with these companies have been derecognized for an amount of EUR 5,337 thousand.

10. FINANCIAL LIABILITIES

The breakdown of “Non-current financial liabilities” and “Current financial liabilities,” is as follows:

	Thousands of euros					
	Non-current financial liabilities		Current financial liabilities		Total financial liabilities	
	12.31.2022	12.31.2021	12.31.2022	12.31.2021	12.31.2022	12.31.2021
Bank borrowings	980,848	934,342	30,824	14,918	1,011,672	949,260
Financial liabilities for leases	52,006	53,766	17,150	15,555	69,156	69,321
Other financial liabilities	1,929	88	15,682	329	17,611	417
Total	**1,034,783**	**988,196**	**63,656**	**30,802**	**1,098,439**	**1,018,998**

The increase in “Other current financial liabilities” is due to the recognition of the account payable in 2023 for an amount of EUR 15,000 thousand generated in the purchase of 20% of Prisa Radio, S.L. described in note 2 of these explanatory notes.

Bank borrowing

The most significant balance under "Financial liabilities" relates to bank borrowings, the details of which, in EUR thousand, as of December 31, 2022 are as follows:

	Drawn-down amount maturing at short term	Drawn-down amount maturing at long term
Junior Syndicated Loan (*)	-	192,013
Senior Syndicated Loan	-	575,105
Super Senior debt	-	240,000
Credit facilities	2,547	-
Loans	9,705	5,737
Finance leases, interest and other	18,572	3,792
Fair value/ formalization expenses	-	(35,799)
Total	**30,824**	**980,848**

(*) It includes capitalized interests for an amount of EUR 6,664 thousand.

Refinancing-

In February 2022 the Board of Directors of PRISA approved, by unanimity, the signing of a lock-up agreement (the "Lock-Up Agreement") that incorporated a term sheet with the basic conditions for the amendment of the Group's syndicated financial debt (the "Refinancing"). On April 19, 2022, the Refinancing has entered into force, once the agreements reached with all of its creditors were concluded.

Therefore, in the context of the Refinancing of its financial debt, PRISA agreed on the novation of its syndicated loan ("2013 Override Agreement") for a total amount of EUR 751,114 thousand, which has been structured in two tranches with the following characteristics:

- The amount of the Senior debt is set at EUR 575,105 thousand, including EUR 5,633 thousand of refinancing expenses with the lenders which have been incorporated as an increased financial liability, and the maturity is extended to December 31, 2026.

- The amount of the Junior debt is set at EUR 185,349 thousand, including EUR 3,707 thousand of refinancing expenses with the lenders which have been incorporated as an increased financial liability, and the maturity of is extended to June 30, 2027.

- The cost of the Senior debt is benchmarked at Euribor + 5.25% payable in cash, while the cost of the Junior debt is benchmarked at Euribor + 8%, payable partly in cash and partially capitalized. This is the 1, 3 or 6-month Euribor, depending on the interest settlement window chosen by the Company at each maturity.

- Partial amendment of the package of debt guarantees.

- The flexibilization of the contractual commitments of the current debt that will allow, among other improvements, to increase PRISA's operating flexibility and soften the financial ratios required by its current contracts.

- A refinancing, structuring and insurance commission is agreed, which the Company could pay in cash or by issuing shares. The Company has chosen to pay the aforementioned commission through the issuance of shares, for which it has proceeded to issue 32 million new shares of the Company, which have been granted to the creditor entities and those that have acted as structurers and/or insurers of the Refinancing, and who have the subscription right *(see note 8)*. The new shares, which have represented 4.3% of the share capital after the increase, allow the Company's interests to be aligned with those of the new creditors, in turn increasing the liquidity of the value on the Stock Market.

The agreed Refinancing makes the Company's financial debt more flexible and provides a financial structure allowing the Company to comply with its financial commitments, ensuring the Company's stability in the short and medium term.

Likewise, the Refinancing agreement has entailed a reorganisation of the debt in terms of borrowers, so that the financial debt previously held by Prisa Activos Educativos, S.A.U. has been transferred to PRISA for a nominal amount of EUR 691,590 thousand, thus generating an account payable to the Company for the fair value of said debt amounting to EUR 663,422 thousand. Subsequently, the Company has made a share contribution to Prisa Activos Educativos, S.A.U. for the aforementioned amount, which has been recognized as a higher value of the participation.

Compliance with certain financial ratios is established in the financial agreements for the PRISA Group, which application began on June 30, 2022. 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. Since the Refinancing come into force no such breaches have occurred, nor are foreseen in the next twelve months.

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 (excluding for such purposes the current significant shareholders of the Company).

Finally, within the Refinancing agreement, and in relation to the distribution of dividends of the Company, these are subject to the limitations and commitments acquired with the financial creditors.

Other aspects of debt-

The guarantee structure for the syndicated financial debt is as follows:

Personal guarantees

The Senior and Junior Debt, as it was refinanced in April 2022, is jointly and severally guaranteed by Promotora de Informaciones, S.A. and the companies Prisa Activos Educativos, S.A.U. Diario El País, S.L., Grupo de Medios Impresos y Digitales, S.L.U., Grupo Santillana Educación Global, S.L., Prisa Media, S.A.U. and Prisa Gestión Financiera, S.L.U.

Likewise, and in accordance with the Refinancing agreement, Prisa Activos Educativos and Prisa Media had been transformed into public limited companies, previously limited liability companies.

Guarantees

As a result of the Refinancing, PRISA has currently pledged certain current accounts held by it, and, in addition, the guarantors have pledged, as appropriate, shares and equity interests in certain Group companies and certain bank accounts held by them, all as security for the aforementioned creditors.

Part of PRISA's investment in Prisa Radio, S.A. (80% share capital) and the 100% of the investments (100% share capital) in Prisa Activos Educativos, S.A.U. (Sole proprietorship), Prisa Media, S.A.U. (Sole proprietorship), Prisa Gestión Financiera, S.L.U. (Sole proprietorship) and Grupo Santillana Educación Global, S.L.U insuring syndicated debt. Similarly, given its significance in the group, a real guarantee has been constituted over 100% of the shares of Editora Moderna Ltda. (Brazil).

Other aspects of the Refinancing

The Company has carried out an analysis of the terms agreed in the framework of the Refinancing, concluding that they constitute a substantial modification of the previous terms from a qualitative point of view, inter alia, due to the existence of a refinancing, structuring and underwriting fee that can be paid in shares, the modification of the collateral structure and the flexibility to perform certain sales transactions. This has meant that the original financial liability has been cancelled, and a new liability from the Refinancing has been recognised. The initial recognition of the financial liability has been at fair value, which has led to the recognition of financial income in the amount of EUR 38,285 thousand in the heading "*Value variation of financial instruments*" of the consolidated income statements, for the difference between the nominal value of the debt and its fair value on the date of initial recognition. For this purpose, the listed value of the debt in the secondary market has been used, according to information provided by a third party on the date of the Refinancing agreement going public (level 1 variable, estimates using prices listed in active markets). The fair value of the Refinancing debt at that date and according to this calculation would amount to EUR 722,169 thousand. Thereafter, the difference between the par value of the debt and its initial fair value will be expensed in the consolidated income statement using the effective interest method.

In addition, all expenses and fees related to the Refinancing have been recognised in the heading *"Financial costs"* in the consolidated income statement as, including, among others, the form of upfront discounting ("OID"), consent fees and others fees for an amount of EUR 23,505 thousand. In this sense, the refinancing, structuring and underwriting fee which the Company has chosen to pay through the issue of shares discussed above has been treated from the beginning of the Refinancing as an equity instruments, as the method of settlement is at the discretion of the Company. This has resulted in recording a financial expense in the heading *"Loan arrangement costs"* of EUR 20,288 thousand, with a credit to consolidated equity *(see note 8)*. For this purpose, the 32 million shares to be issued have been valued at the listed price of the PRISA share on the date the Refinancing agreement was made public.

Finally, a positive impact has been accounted under the heading "*Value variation of financial instruments* " of the financial result for an amount of EUR 23,434 thousand, associated with the derecognition of the original financial liability for interest accrued in previous periods (which accrues at effective interest rate ("TIE")) that do not have to be paid (*see note 12*).

Super Senior loan –

In addition to the above Senior and Junior loans, the Company signed on April 8, 2022 a Super Senior Term & Revolving Facilities Agreement for a maximum amount of up to EUR 240,000 thousand. This agreement implies an extension of its maturity until June 30, 2026, with a cost indexed to Euribor + 5% payable in cash. This is the 1, 3 or 6-month Euribor, depending on the interest settlement window chosen by the Company at each maturity. In addition, the amendment of the agreement has led to a change of lender.

Out of the total amount of super senior debt, EUR 160,000 thousand are for the new Super Senior term loan facility, drawn down at the time of the refinance and used to fully cancel the previous Super Senior debt, for the same amount, on 19 April, and EUR 80,000 thousand are for a renewable credit facility, the Super Senior revolving facility, used to meet operational needs, which was not drawn down as at 31 December 2021. In the last quarter of 2022, the Company had drawn down all of the revolving facility amounting to EUR 80,000 thousand, meaning that as at December 31, 2022 the Super Senior debt had been fully drawn down.

The collateral structure of this Super Senior debt is the same as that referred to above in respect of the Company's Senior and Junior debt, such that the creditors of this debt and the creditors of the syndicated debt share the same collateral package. However, the Super Senior debt has a preferential ranking for collection and enforcement of collateral over the Senior and Junior debt in the event of a default under the financing agreements.

In addition, the costs related to cancelling the Super Senior Debt with the previous lender have been recognised in the heading *"Other financial costs"* of the accompanying consolidated income statement as a financial expense (*see note 12*). The costs associated with arranging the debt with the new lender have been capitalised and are taken to the income statement over the life of the loan using the effective interest method.

Financial liabilities for leases

The IFRS 16 Leases has resulted in an addition of the financial liabilities associated with the leases, amounting at December 31, 2022 to EUR 52,006 thousand in the long term and EUR 17,150 thousand in the short term.

The detail of the maturities of the nominal amount of the financial liabilities for lease is as follows:

Maturity	Thousands of euros
Within 6 months	8,435
From 6 to 12 months	10,253
From 1 to 3 years	32,104
From 3 to 5 years	19,433
After 5 years	12,988
Total	**83,213**

In 2022, the payment associated with financial liabilities for leases (under IFRS 16) for all the Group amounts to EUR 24.3 million.

11. OPERATING INCOME AND EXPENSES

Operating income

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

	Thousands of euros	
	2022	2021
Advertising sales	309,616	298,412
Education sales	441,277	350,114
Circulation	53,709	51,878
Sales of add-ons and collections	4,237	7,219
Intermediation services	6,576	5,624
Other services	15,349	16,103
Revenue	**830,764**	**729,350**
Income from non-current assets	2,289	926
Other income	17,136	10,892
Other income	**19,425**	**11,818**
Total operating income	**850,189**	**741,168**

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		Education sales		Circulation		Others		Total operating income	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Europe	**237,064**	**234,297**	**1,691**	**2,609**	**53,709**	**51,878**	**36,385**	**32,929**	**328,849**	**321,713**
Spain	237,064	234,297	-	149	53,709	51,878	36,287	32,899	327,060	319,223
Rest of Europe	-	-	1,691	2,460	-	-	98	30	1,789	2,490
America	**72,552**	**64,115**	**439,586**	**347,505**	**-**	**-**	**9,202**	**7,835**	**521,340**	**419,455**
Colombia	48,677	40,491	33,548	27,965	-	-	674	1,111	82,899	69,567
Brazil	-	-	170,939	145,762	-	-	1,412	841	172,351	146,603
Mexico	977	588	92,667	70,280	-	-	929	854	94,573	71,722
Chile	19,357	18,627	15,420	12,719	-	-	838	1,228	35,615	32,574
Rest of America	3,541	4,409	127,012	90,779	-	-	5,349	3,801	135,902	98,989
TOTAL	**309,616**	**298,412**	**441,277**	**350,114**	**53,709**	**51,878**	**45,587**	**40,764**	**850,189**	**741,168**

Staff

The breakdown of the average number of employees, by gender for the year 2022 and 2021, was as follows:

	2022		2021	
	Women	Men	Women	Men
Executives	101	171	107	177
Middle management	416	546	425	566
Other employees	2,908	2,854	2,787	2,748
Total	**3,425**	**3,571**	**3,319**	**3,491**

Other operating expenses

The detail of *"Other operating expenses"* for the year 2022 and 2021 is as follows:

	Thousands of euros	
	2022	2021
Independent professional services	69,238	75,008
Leases and fees	11,524	6,644
Advertising	29,768	22,439
Intellectual property	23,660	19,106
Transport	23,405	19,950
Other outside services	124,980	113,969
Change in provisions	4,515	9,917
Total outside services	**287,090**	**267,033**

12. FINANCIAL RESULT

The detail of *"Financial result"* for the group is as follows:

	Thousands of euros	
	2022	2021
Income from current financial assets	3,156	963
Other finance income	2,406	10,550
Finance income	**5,562**	**11,513**
Interest on debt	(71,487)	(49,731)
Financial expenses for hedging operations (see note 6)	(823)	-
Adjustments for inflation	(5,177)	(486)
Loan arrangement costs	(43,793)	-
Other finance costs	(10,946)	(10,227)
Finance costs	**(132,226)**	**(60,444)**
Exchange gains	47,083	27,333
Exchange losses	(48,559)	(25,872)
Exchange differences (net)	**(1,476)**	**1,461**
Fair value variation of financial instruments	**55,805**	**(15,791)**
Financial loss	**(72,335)**	**(63,261)**

The increase in the heading "Income from current financial assets" in financial year 2022 is mainly in the Education segment due to the increase in interest rates during the period on the deposits set up. Likewise, the heading "Other financial income" in 2021 included the income derived from the favourable resolution of the TEAC in relation to the inspection of the Value Added Tax from the period May 2010 to December 2011 for an amount of EUR 7,841 thousand, corresponding mainly to the VAT of invoices associated to loan arrangement costs.

The increase in the "Interest on debt" expense in financial year 2022 is mainly due to the increase in the Euribor on the cost of the Group's financial debt, which is mostly pegged to this indicator.

As of December 31, 2022, the heading "Other financial costs" includes EUR 4,912 thousand for the effect of updating the financial liability associated with the lease agreements (EUR 6,925 thousand as of December 31, 2021). It also includes the expense for the derecognition of a financial investment related to the participation of Prisa Radio in the associated companies El Dorado Broadcasting Corporation and WSUA Broadcasting Corporation (see note 6).

As of December 31, 2022 the heading "Loan arrangement costs" includes all expenses and fees related to the Refinancing, including the refinancing, structuring and underwriting fee which the Company has chosen to pay through the issue of shares. Additionally, as of December 31, 2022 a positive impact has been accounted under the heading "Value variation of financial instruments " of the financial result for an amount of EUR 23,434 thousand, associated with the derecognition of the original financial liability for interests accrued in previous periods (which accrues at effective interest rate ("TIE")) that do not have to be paid (see note 10).

At December 31, 2022, the heading "Value variation of financial instruments" includes EUR 38,285 thousand for the difference between the nominal value of the debt and its fair value on the date of initial recognition (see note 10). From that moment on, the difference between the nominal value of the debt and its initial fair value will be recognized as an expense in the consolidated income statement using the effective interest method (in financial year 2022 the expense moved to the consolidated income statement totalled EUR 4,886 thousand).

13. BUSINESS SEGMENTS

Segment reporting is structured by geographical segment and business segment of the Group.

The breakdown of the consolidated revenues of the Group based on the geographical location of the companies that gave rise to them is as follows:

(Thousands of euros)	2022	2021
Europe	**314,886**	**314,463**
Spain	313,195	312,003
Rest of Europe	1,691	2,460
America	**515,878**	**414,887**
Colombia	82,393	69,111
Brazil	171,061	145,787
Mexico	94,118	71,324
Chile	35,049	31,543
Rest of America	133,257	97,122
Total	**830,764**	**729,350**

At December 31, 2022, PRISA's operations are divided into two main segments each of which has a person in charge:

- Education, which includes primarily the sale of educational books and the services and materials related to the education systems;
- Media, includes radio and news (Press) businesses and its main source of revenue is advertising, as well as the sale of newspapers and magazines, digital subscriptions and, additionally, the organization and management of events.

Segment information about these businesses for 2022 and 2021 is presented below. The column *"Eliminations and adjustments"* mainly includes transactions between group companies:

	EDUCATION		MEDIA		OTHERS		ELIMINATIONS AND ADJUSTMENTS		PRISA GROUP	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Operating income	**447,435**	**358,810**	**403,775**	**383,343**	**5,217**	**5,483**	**(6,238)**	**(6,468)**	**850,189**	**741,168**
- External sales	**447,351**	**358,800**	**402,417**	**380,916**	**798**	**557**	**(377)**	895	**850,189**	**741,168**
- Advertising	0	0	309,616	298,413	0	0	0	(1)	309,616	298,412
- Education sales	441,277	350,114	0	0	0	0	0	0	441,277	350,114
- Circulation	0	0	53,709	51,878	0	0	0	0	53,709	51,878
- Other	6,074	8,686	39,092	30,625	798	557	(377)	896	45,587	40,764
- Intersegment sales	**84**	**10**	**1,358**	**2,427**	**4,419**	**4,926**	**(5,861)**	**(7,363)**	**0**	**0**
- Advertising	0	0	2	2	0	0	(2)	(2)	0	0
- Education sales	0	0	0	0	0	0	0	0	0	0
- Circulation	0	0	0	0	0	0	0	0	0	0
- Other	84	10	1,356	2,425	4,419	4,926	(5,859)	(7,361)	0	0
Operating expenses	**(396,314)**	**(332,692)**	**(383,431)**	**(412,272)**	**(13,316)**	**(22,123)**	**6,236**	**6,210**	**(786,825)**	**(760,877)**
- Cost of materials used	(97,219)	(75,072)	(30,421)	(28,020)	0	0	0	(1)	(127,640)	(103,093)
- Staff costs	(115,463)	(97,011)	(177,613)	(198,456)	(4,806)	(12,478)	0	0	(297,882)	(307,945)
- Depreciations and amortisation charge	(43,408)	(39,821)	(26,096)	(37,694)	(1,506)	(803)	0	1	(71,010)	(78,317)
- Outside services	(133,100)	(109,072)	(148,503)	(145,669)	(7,211)	(8,585)	6,239	6,210	(282,575)	(257,116)
- Change in operating provisions	(5,274)	(8,386)	555	(1,300)	204	(231)	0	0	(4,515)	(9,917)
- Changes in valuation allowances to Group companies	0	0	0	0	3	(0)	(3)	0	0	0
- Impairment of goodwill/assets	(1,850)	(3,330)	(1,353)	(1,133)	0	(26)	0	0	(3,203)	(4,489)
Result from operations	**51,121**	**26,118**	**20,344**	**(28,929)**	**(8,099)**	**(16,640)**	**(2)**	**(258)**	**63,364**	**(19,709)**
Finance income	**6,634**	**3,204**	**2,448**	**3,451**	**38,443**	**20,321**	**(41,963)**	**(15,463)**	**5,562**	**11,513**
- Interest income	2,992	803	2,090	3,188	9,697	12,420	(13,462)	(15,463)	1,317	948
- Other financial income	3,642	2,401	358	263	28,746	7,901	(28,501)	0	4,245	10,565
Finance costs	**(21,760)**	**(10,349)**	**(11,605)**	**(11,634)**	**(111,659)**	**(53,924)**	**12,798**	**15,463**	**(132,226)**	**(60,444)**
- Interest expenses	(12,427)	(6,387)	(5,661)	(4,888)	(66,858)	(53,919)	13,459	15,463	(71,487)	(49,731)
- Other financial expenses	(9,333)	(3,962)	(5,944)	(6,746)	(44,801)	(5)	(661)	0	(60,739)	(10,713)
Change in value of financial instruments	**0**	**0**	**(5)**	**(7)**	**55,810**	**(15,784)**	**0**	**0**	**55,805**	**(15,791)**
Exchange differences (net)	**(630)**	**1,073**	**(1,027)**	**299**	**5**	**89**	**176**	**0**	**(1,476)**	**1,461**
Financial result	**(15,756)**	**(6,072)**	**(10,189)**	**(7,891)**	**(17,401)**	**(49,298)**	**(28,989)**	**0**	**(72,335)**	**(63,261)**
Result of companies accounted for using the equity method	0	0	2,575	1,287	16	21	3,395	96	5,986	1,404
Result before tax from continuing operations	**35,365**	**20,046**	**12,730**	**(35,533)**	**(25,484)**	**(65,917)**	**(25,596)**	**(162)**	**(2,985)**	**(81,566)**
Expense tax	(9,043)	(18,535)	(5,793)	(3,713)	4,553	1,279	0	0	(10,283)	(20,969)
Result from continuing operations	**26,322**	**1,511**	**6,937**	**(39,246)**	**(20,931)**	**(64,638)**	**(25,596)**	**(162)**	**(13,268)**	**(102,535)**
Result after tax from discontinued operations	0	0	0	0	0	(3,308)	0	0	0	(3,308)
Consolidated result for the year	**26,322**	**1,511**	**6,937**	**(39,246)**	**(20,931)**	**(67,946)**	**(25,596)**	**(162)**	**(13,268)**	**(105,843)**
Non-controling interests	60	4	(257)	(795)	0	0	516	128	319	(663)
Result atributable to the Parent	**26,382**	**1,515**	**6,680**	**(40,041)**	**(20,931)**	**(67,946)**	**(25,080)**	**(34)**	**(12,949)**	**(106,506)**

14. REMUNERATION OF DIRECTORS AND EXECUTIVES

The remuneration of directors and executives is set out in section 13 of Chapter IV on Selected financial information.

Sections 2320 and 2325: The aggregate remuneration of PRISA´s Directors and Managers corresponds to the accounting expense registered by PRISA as well as by other companies of the Group and consequently it corresponds to the accounting provisions registered in the income statement.

General considerations:

i. The aggregated remuneration of directors of PRISA and senior management reflected in the table above corresponds to the accounting expenses made in the income statement of PRISA and other companies of its Group and consequently corresponds to the accounting provisions registered in the profit and loss account.

   Therefore the compensation included in section 13 of Chapter IV do not match, in some respects, with the remuneration that will be included in the Annual Remuneration Report of the Directors 2022 and in the Annual Report on Corporate Governance 2022, in which it is followed the criteria required by the "Circular 3/2021 of the CNMV (which amend the models for the annual corporate governance report and annual report on remuneration of directors of listed companies), which is not the accounting provision basis.

ii. At the beginning of the COVID-19 crisis (first quarter 2020) and in order to mitigate the negative impact of the current situation which has an special effect on the main sources of income generation of all kind of media, the Board of Directors resolved to put in place a contingency plan to adequate the cost structures of the businesses to the foreseeable circumstances which gave rise to a series of measures in 2020 and 2021. Some of these measures have continue to be applied to non-executive directors of PRISA in the 2022 financial year:

   - Fiscal year 2020: In fiscal year 2020 a reduction was applied of 20% in the directors remuneration and around 35% in the annual remuneration of the then Chief Executive Officer and the Senior Management. Additionally, the annual variable remuneration corresponding to the year 2020, of the then CEO and members of senior management, was suppressed or reduced, at their decision.

   - Fiscal year 2021: With the pandemic still rampant and no return yet foreseen to sufficient revenue levels, at the beginning of fiscal year 2021, new temporary interim measures were adopted to contribute to dealing with this complicated scenario and it was proposed to all employees with annual gross remuneration of EUR 85 thousand or higher, a temporary salary reduction during 2021 (of 10% of the fixed remuneration, including the then Chief Executive Officer).

     Likewise it was applied a 20% reduction in the remuneration of the non executive Board members during the same time period (although this would not affect of the remuneration of the non-executive Chairman, whose remuneration has already been cut by 50%, from EUR 400 thousand to EUR 200 thousand in December 2020).

   - Fiscal year 2022: To minimize the effects caused by the COVID-19 crisis, the Board of Directors agreed that during 2022 a 20% reduction will continue to be applied in the remuneration of non-executive directors. The remuneration of the non-executive chairman has continue to be exempted from the foregoing and, in addition, remuneration corresponding to the chairmanship of the Appointments, Remuneration and Corporate Governance Committee, the Audit, Risk and Compliance Committee and the Sustainability Committee has been exempted, given the special workload, dedication and responsibility that such positions entail. These measures were already announced in the Director Remuneration Report sent to the CNMV dated March 29, 2022 (registration number: 15203).

Remuneration of the Directors:

Regarding the fiscal year 2022:

i. The overall remuneration of the Board of Directors includes that of Mr. Roberto Alcántara Rojas up to the time of his cessation as a director (June 28, 2022) as well as that corresponding to the new director, Mr. Andrés Varela Entrecanales, from the date of his appointment (September 7, 2022).

ii. The Remuneration Policy for directors for the years 2022, 2023 and 2024 was approved by the PRISA Shareholders' Meeting held on June 28, 2022 and it provided for the remuneration corresponding to the members of the Sustainability Commission (set up in February 2022). Therefore, the section 13 of Chapter IV also includes the remuneration corresponding to the members of said Commission from June 28, 2022.

iii. Within the variable remuneration in cash of the directors, are included the following items:

- Annual variable compensation (bonus): is the reflection of the amount corresponding to theoretical annual variable compensation of Mr. Francisco Cuadrado and Mr. Carlos Nuñez, both executive directors of the Company, if 2022 management objectives are achieved.

  However, since this compensation is subject to achievement of the management objectives at the end of the year 2022, 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 2022 annual accounts of the Group are prepared, based on the level of achievement of the objectives established by the Board of Directors. In 2022, an expense of EUR 438 thousand was recorded for this item.

- Regularization of the 2021 bonus of the two executive directors, Mr. Francisco Cuadrado and Mr. Carlos Nuñez, for an amount of EUR -3 thousand.

- Medium-term Incentive Plan 2020-2025, linked to the creation of value in Santillana through the implementation of a corporate transaction:

  The Directors Compensation Policy for 2022, 2023 and 2024 provides for medium-term incentives linked to value creation in Santillana through the implementation of a corporate transaction during the term commencing on September 1, 2020 and ending on December 31, 2025, whose beneficiaries include, among others, Mr. Francisco Cuadrado, Santillana's Executive Chairman. The plan was approved by the Board of Directors at its meeting held on January 26, 2021 and subsequently amended by the board on May 24, 2022 for the purpose of defining when it may be considered that there has been a revaluation in Santillana and extending its duration until the year 2025 (initially it was until the year 2023).

  The incentive plan will allow the beneficiaries to participate in the creation of value for Santillana during the reference period, provided that they exceed a minimum revaluation target for Santillana and comply with the rest of the conditions established in the regulation of the plan. It will be understood that there has been a revaluation in the event that one of the corporate transactions provided for in the Plan Regulation have been concluded (i.e., the sale or flotation of Santillana), and the price or value determined for Santillana in the transaction is higher than the minimum revaluation target of EUR 1,400 million.

The beneficiaries will have the right to receive in cash a percentage of the value created for Santillana, understood as the positive difference between the enterprise value of Santillana on the date on which the specific corporate transaction is carried out and the initial date (September 1, 2020), taking into account the amount of the distributed dividends as well as capital flow. Santillana's enterprise value at the completion date will be that resulting from a valuation made by one or more independent experts. The enterprise value of Santillana at the initial date has been set at EUR 1,250 million.

In 2022, the provision recorded for this Incentive Plan in relation to Mr. Cuadrado (for an amount of EUR -248 thousand) has been reversed as a result of the modification of the plan.

iv. In relation to the "compensation systems based on shares " it is noted the following:

- "PRISA Incentive Plan 2018- 2020":

  At the Ordinary Shareholders' Meeting held on April 25, 2018, a Medium Term Incentive Plan was approved 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 economic objectives (Ebitda and Cash Flow), targeted at the former 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 assigned a certain number of restricted stock units ("Restricted Stock Units" or "RSUs") to each beneficiary, which would serve as a reference to determine the final number of shares to be delivered.

  In 2021 the Board of Directors of PRISA verified the level of fulfilment of the Ebitda and Cash Flow objectives to which the Incentive Plan was pegged, and the Board agreed the number of shares to be awarded to the beneficiaries (a total of 2,115,328 shares) at the settlement date.

  At the request of the beneficiaries of this compensation plan, the Board of Directors resolved that settlement and delivery of this Compensation be delayed until January/February 2022 (according to the general conditions regulating this compensation plan, that delivery should be made within 60 days after the 2020 accounts are prepared).

  This Plan has been settled in February 2022, through the delivery of the shares or their equivalent value in cash, as chosen by each of the beneficiaries of the plan. The decision to give the beneficiaries the option of a cash payment was made by PRISA's Delegated Committee, at the proposal of the Appointments, Compensation and Corporate Governance Committee, on January 25, 2022. That possibility was provided for in the General Conditions that govern the Incentive Plan. The cash equivalent value of the shares was calculated based on the listed price of the shares on the day this decision was made (January 25, 2022).

  In 2022 no expense has been recorded for the settlement of this Plan.

- "Santillana´s Executive Chairman medium-term incentive Plan 2022-2025":

  The Executive Director of Santillana, Mr Francisco Cuadrado (who is, in turn, executive director of PRISA) is the beneficiary of a medium-term incentive plan linked to the achievement of certain quantitative financial targets set out in

Santillana's budget (linked to EBIT and Cash Flow) in fiscal years 2022, 2023, 2024 and 2025 and is payable in shares. The plan was approved by the Board of Directors of PRISA on May 24, 2022, and was also approved at the Ordinary Shareholders Meeting held on June 28, 2022.

Mr Cuadrado has been granted with a theoretical number of shares equivalent to EUR 500 thousand gross for each year of the plan's duration, which will serve as a reference to determine the final number of shares to be delivered (he has been assigned 923,494 theoretical shares for each year of the Plan, that is, a total of 3,693,976 theoretical shares). The calculations have been made considering the average stock market value of PRISA shares during the last quarter of 2021.

In addition, the incentive may be increased depending on the evolution of PRISA's share price.

In 2022, an expense of EUR 166 thousand has been recorded for this Plan, based on the level of performance of objectives and considering the listed price of PRISA's shares at the time of measurement.

- <u>"Prisa Media`s Executive Chairman medium-term incentive Plan 2022-2025":</u>

  The Executive Director of Prisa Media, Mr Carlos Nuñez (who is, in turn, executive director of PRISA) is the beneficiary of a medium-term incentive plan linked to the achievement of certain quantitative financial targets set out in Prisa Media's budget (linked to EBITDA, Cash Flow and digital revenues) in fiscal years 2022, 2023, 2024 and 2025 and is payable in shares. The plan was approved by the Board of Directors of PRISA on December 21, 2021 and was subsequently modified by the Board (to extend it until 2025 in line with the Company's Strategic Plan) and was also approved at the Ordinary Shareholders Meeting held on June 28, 2022.

  Mr Nuñez has been granted with a theoretical number of shares equivalent to EUR 500 thousand gross for each year of the plan's duration, which will serve as a reference to determine the final number of shares to be delivered (he has been assigned 923,494 theoretical shares for each year of the Plan, that is, a total of 3,693,976 theoretical shares). The calculations have been made considering the average stock market value of PRISA shares during the last quarter of 2021.

  In addition, the incentive may be increased depending on the evolution of PRISA's share price.

  In 2022, an expense of EUR 59 thousand has been recorded for this Plan, based on the level of performance of objectives and considering the listed price of PRISA's shares at the time of measurement.

v. "Others" includes health and life/accident insurance for the executive directors Carlos Nuñez and Francisco Cuadrado.

vi. No other credits, advances or loans occurred, nor were pension obligations incurred, in respect of the Board of Directors during 2022.

<u>Regarding the fiscal year 2021:</u>

i. The overall remuneration of the Board of Directors includes that of Mr. Javier de Jaime Guijarro and Mr Dominique D´Hinnin up to the time of their resignation as directors in February and November 2021, respectively.

ii. In 2021 our operations were split into the two Grupo PRISA business areas of Education and Media, each with an Executive Chairman who is likewise an executive director of PRISA.

Mr. Carlos Nuñez is the head and Executive Chairman of Prisa Media since May 24, 2021. Mr. Nuñez joined PRISA's Board of Directors on June 29, 2021.

Mr. Manuel Mirat Santiago ceased to be PRISA's CEO on June 29, 2021 and on that same date took over as head of the Education area, assuming the duties of Santillana's executive chairman. Subsequently, on July 27, 2021 the Board of Directors approved the succession to Santillana's chairmanship and Mr. Mirat was replaced by Mr. Francisco Cuadrado as Santillana's executive chairman. On that same date, Mr. Mirat resigned as executive director of PRISA and the Board of Directors appointed Mr. Cuadrado as an executive director of PRISA to fill the vacancy existing on PRISA's Board.

As a result of the above, the Company evolved from having a single executive director (the former CEO, Mr. Manuel Mirat) to having two executive directors, one being the Executive Chairman of Education (Santillana) (Mr. Francisco Cuadrado) and the other being Executive Chairman of Prisa Media (Mr. Carlos Nuñez). Compensation for Messrs. Cuadrado and Nuñez are paid respectively by Santillana and Prisa Media.

iii. Until his appointment as Executive Chairman of Santillana and PRISA director, Mr. Cuadrado was Santillana's Director General of Education, but the compensation reflected in the section 13 of Chapter IV is solely what Mr. Cuadrado received since his appointment as PRISA director (on July 27, 2021).

The table above includes compensation for Mr. Nuñez from the moment he assumed the duties of Executive Chairman of Prisa Media on May 24, 2021.

As for accounting for the expenses involved in Mr. Manuel Mirat's compensation, part was included under PRISA (the part concerning his duties as PRISA CEO until June 29, 2021 as well as the termination of his contract with the Company), while another part was included under Santillana (for his duties as Executive Chairman of Santillana during the month of July, 2021).

iv. Within the variable remuneration in cash of the directors, are included the following items:

- Annual variable compensation (bonus) for the former CEO Mr Manuel Mirat, for 2021 in the amount of EUR 175 thousand, which was paid when his contract with the Company was terminated in July, 2021.

- Regularization of 2020 Mr Mirat´s bonus, taking into consideration the position expressed by Mr Mirat to waive the annual variable remuneration that may correspond to him in 2020. In 2021 a negative amount of EUR 60 thousand as recorded in relation to this item.

- Reflection of the amount corresponding to 2021 theoretical annual variable compensation (bonus) of Mr Carlos Nuñez and Mr Francisco Cuadrado, executive directors of the Company. An expense amounting EUR 313 thousand was recorded for this item in 2021.

- Medium-term Incentive Plan 2020-2023, linked to the creation of value of Santillana: The Directors Compensation Policy for 2021, 2022 and 2023 (as approved at the Annual Shareholders Meeting held on June 29, 2021) provided for medium-term incentives linked to value creation in Santillana during the term commencing on September 1, 2020 and ending on December 31, 2023, whose beneficiaries included, among others, the executive director Mr. Francisco Cuadrado. Although Mr. Manuel Mirat was also a beneficiary of this Incentive Plan, he waived all rights in that regard when his contract with the Company was terminated in July, 2021. In 2021 an expense of EUR 247 thousand was recorded for this item.

As already indicated in the information corresponding to 2022, this plan, of which Mr. Francisco Cuadrado, Executive Chairman of Santillana, is now a beneficiary, has been modified by the Board on May 24, 2022, in order to specify the cases in which it can be understood that there has been a revaluation of Santillana and to extend its duration until 2025 (initially it was until 2023).

v. Compensation systems based on shares: In 2021, an expense of EUR 322 thousand was recorded for the "PRISA Incentive Plan 2018-2020", in relation to the then CEO of PRISA, Mr. Mirat.

vi. "Severance Compensation" includes accounting expenses resulting from the termination of Mr. Mirat's contract with the company (compensation for termination of contract equal to 18 month's salary; compensation for the termination of Mr. Mirat's previous contract with the Company; additional compensation equivalent to two years' unemployment benefits; and three month's compensation in lieu of notice, as stipulated in Mr. Mirat's contract).

vii. "Others" includes health and life/accident insurance for the former executive director Mr. Manuel Mirat and the current executive directors Mr Carlos Nuñez and Mr Francisco Cuadrado. Likewise included is compensation for Mr. Mirat's post-termination non-competition covenant and the amount paid him for unused vacation days during 2021.

viii. No other credits, advances or loans occurred, nor were pension obligations incurred, in respect of the Board of Directors during 2021.

Senior management compensation:

The aggregate compensation of the managers is the accounting reflection of the overall compensation of members of senior management who are not executive directors of PRISA. In 2022 amounts to EUR 1,740 thousand and in 2021 amounted to EUR 10,319 thousand.

<u>Regarding 2022:</u>

i. The aggregate compensation as of December 31, 2022, is the compensation of the following managers: the Secretary to the Board of Directors (Mr Pablo Jiménez de Parga), the CFO Ms Pilar Gil (since joining this position in July 2022), the Head of Corporate and Institutional Relations Mr Jorge Rivera, the Head of Communication, Ms Cristina Zoilo (since joining this position in July 2022), the Chief Sustainability Officer Ms Rosa Junquera (since joining this position in March 2022), the Head of People and Talent Ms Marta Bretos (since joining the senior management team in March 2022) and the PRISA's Director of Internal Audits Ms Virginia Fernández.

   It is likewise included the remuneration of the former CFO Mr David Mesonero, until his resignation as of June 30, 2022.

   Mr. Jiménez de Parga has entered into a contract with the company for the provision of professional services in which his compensation for those services consists exclusively of a fixed monthly amount.

i. The remuneration of the senior management includes, inter alia:

- Annual variable compensation (bonus): reflection of the amount corresponding to theoretical annual variable compensation of the executives if 2022 management objectives are achieved. However, since this compensation is subject to achievement of the management objectives at the end of the year 2022, 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 2022 annual accounts of the Group are prepared, based on the level of achievement of the established objectives.

- Recalculation of the 2021 bonus paid in 2022.

- “PRISA 2018-2020 Incentives Plan”: in 2022 no expenses were registered for the settlement of this plan in 2022.

- “Medium-term Incentive Plan 2020-2025, linked to the creation of value in Santillana through the implementation of a corporate transaction”: it is registered an expense of -210 thousand euros in relation to the reversion of the provision that was registered for this Plan in relation to the former CFO, Mr. Mesonero.

- “PRISA 2022-2025 Incentive Plan of the former CFO Mr David Mesonero”:

  PRISA´s former CFO Mr David Mesonero (who has resigned from this position as of June 30, 2022) has been beneficiary of a medium-term incentive plan linked to the achievement of certain quantitative financial targets set out in PRISA´s budget (linked to Cash Flow) in fiscal years 2022, 2023, 2024 and 2025, payable in shares. The Plan was approved by the Board of Directors of PRISA in December 21, 2021, and was subsequently amended on April 26, 2022, by the Board (to extend it until 2025, in line with the Company’s Strategic Plan).

  Mr. Mesonero had been assigned a number of theoretical shares equivalent to EUR 300 thousand gross for each year the plan is in effect, which would serve as a reference to determine the final number of shares to be awarded. The calculation was made considering the average trading value of PRISA shares during the last quarter of 2021. The incentive may likewise increase in view of the evolution of PRISA’s share price.

  The Plan also envisioned an increment if refinancing was achieved in the terms set forth in the Plan.

  Refinancing was implemented in April 2022, and expense of EUR 193 thousand was recorded, based on the performance of this refinancing objective and considering the listed price of PRISA’s shares at the time of measurement.

  This Plan was terminated at the time of termination of Mr. Mesonero's contractual relationship with the Company. In 2022, Mr. Mesonero has received, in shares, the part of the Plan that was linked to the Company's refinancing objective.

- “PRISA 2022-2025 Incentive Plan of the CFO Ms Pilar Gil”:

  PRISA´s CFO, Ms Pilar Gil is beneficiary of a medium-term incentive plan linked to the achievement of certain quantitative financial targets set out in PRISA´s budget (linked to the Cash Flow of Grupo PRISA) in fiscal years 2022, 2023, 2024 and 2025, payable in shares, in similar terms to those of his predecessor in office, Mr. David Mesonero, but with the necessary adaptations. The Plan was approved by the Board of Directors on July 26, 2022.

  Ms. Gil has been assigned a number of theoretical shares equivalent to EUR 300 thousand gross for each year the plan is in effect, which would serve as a reference to determine the final number of shares to be awarded. The calculation was made considering the average trading value of PRISA shares during the last quarter of 2021.

  Likewise the incentive may likewise increase in view of the evolution of PRISA’s share price.

It was registered an expense of EUR 103 thousand, based on the level of performance of objectives and considering the listed price of PRISA's shares at the time of measurement.

- “2022-2025 Incentive Plan for Prisa Media, Santillana and PRISA´s executives”:

  At its meeting held on April 26, 2022, PRISA’s Board of Directors approved a medium-term incentive plan benefiting some Prisa Media, Santillana and PRISA executives. Only one of the members of the senior management group is a beneficiary of this Plan.

  The Plan, payable in shares, is linked to the fulfillment of the following quantitative financial objectives, in the years 2022, 2023, 2024 and 2025: i) in the case of Prisa Media, the objectives are linked to EBITDA, Cash Flow and digital income of its budget; ii) in the case of Santillana are linked to the EBIT and Cash Flow of its budget and iii) in the case of PRISA are linked to the adjusted cash flow of Grupo PRISA of its budget.

  Each management group in Prisa Media and Santillana has been assigned a number of theoretical shares equivalent to EUR 700 thousand gross for each year the Plan is in effect, and the management group in PRISA has been assigned a number of theoretical shares equivalent to EUR 125 thousand gross for each year the Plan is in effect, which will serve as a reference for determining the final number of shares to be awarded.

  The calculations have been based on the average PRISA share trading price during the 4th quarter of 2021.

  In 2022 an expense amounting to EUR 6 thousand was registered for this plan based on the level of performance of objectives and considering the listed price of PRISA's shares at the time of measurement.

- In the 2022 an expense amounting to EUR 49 thousand has been recorded for the termination of the contractual relationship of Mr. Mesonero.

<u>Regarding 2021:</u>

i. As of December 31, 2021, the managers were the following: the Secretary to the Board of Directors (Mr Pablo Jiménez de Parga, who joined the Company in July 2021), the former CFO (Mr David Mesonero, who also joined the Company in July 2021), the former Chief of Communication and Institutional Relations (Mr Jorge Rivera) and the PRISA’s Director of Internal Audits (Ms Virginia Fernández).

   Until June 30, 2021 members of senior management were the members of the extinct Management Committee and those who were generally in attendance at its meetings who were not executive directors of PRISA and had an employment or mercantile relationship with PRISA and other companies in the Group, and the Internal Audit Manager of PRISA. Consequently, the overall remuneration of the Senior Management includes that of Mr Xavier Pujol, Mr Guillermo de Juanes, Mr Augusto Delkader, Mr Miguel Angel Cayuela, Mr Pedro García-Guillén and Mr Alejandro Martínez Peón, until they respectively ceased as General Secretary and Secretary to the Board of Directors, CFO, Director Editorial, CEO of Santillana, CEO of Prisa Radio and CEO of Prisa Noticias. Likewise, included is the remuneration of the previous members and assistants of the Management Committee, Mr. Jorge Bujía (Director of Risk Control and Management Control) and Ms. Marta Bretos (Director of HR and Talent Management), until June 30, 2021.

ii) The remuneration of the senior management includes, inter alia:

- Annual variable compensation (bonus): is the reflection of the amount corresponding to theoretical annual variable compensation of members of senior management if 2021 management objectives were achieved.

- Recalculation of the 2020 bonus paid in 2021, taking into account that: i) in April 2020 the Managers voluntary waived the part of their 2020 annual variable compensation based on achievement of their quantitative objectives and ii) in January 2021 Mr. Pujol likewise waived the part of his annual variable compensation for achieving his qualitative objectives.

- The 2021 figures include a EUR 744 thousand expense entry for the “2018-2020 Incentives Plan” with regard to the Managers.

- In 2021 an expense amounting to EUR 6,671 thousands was recorded as a consequence of the termination of the contractual relationship (indemnities and compensation for non-competition agreement) of 6 of the managers mentioned above.

15. RELATED-PARTY TRANSACTIONS

Related-party transactions are set out in section 14 of Chapter IV on Selected financial information.

All transactions with related parties were carried out on an arm’s length basis.

Transactions with significant shareholders

Section 2350: the aggregate amount of **EUR 2,512 thousand** consists of the expense for the purchase of advertising space and the receipt of strategy services, market research, creativity and identification of consumption habits and consumer product niches with Vivendi Group Vivendi.

Section 2360: the aggregate amount of **EUR 30,059 thousand** mainly consists of income of PRISA Group companies for advertising services with Vivendi Group.

These transactions reflect the accounting information recorded in the consolidated income statement of the Prisa Group and are between Vivendi Group companies and Prisa Group companies.

During financial year 2022, IT services were provided to significant shareholder Rucandio, originating from contractual relationships prior to 2022 and which are therefore not included in the aforementioned tables. However, because these services were reported in the financial information for the first half of 2022, it is hereby noted that the annual amount of the services in financial year 2022 is approximately EUR 2 thousand.

Section 2347: the amount of **EUR 14,800 thousand** includes outstanding receivables for the provision of advertising services from Group companies to the Vivendi Group. In this regard, the balance shown reflects the accounting information recorded in the consolidated balance sheet of the Prisa Group.

Vivendi became a significant shareholder of Prisa in financial year 2021 and has sat on the Board of Directors of PRISA (represented by proprietary director Carmen Fernández de Alarcón) since June 2021.

Some of the trade balances and transactions between PRISA Group companies and Vivendi Group companies shown in the tables in section 14 of chapter IV (on advertising, marketing, communication and sale of tickets for events) originate from contractual relationships before Vivendi was a significant shareholder of PRISA or sat on its Board of Directors. However, those tables show all of the balances as at December 31, 2022 and all of the transactions for financial year 2022, because they represent a significant volume of services provided by Vivendi Group companies, which are linked to a large number of contracts.

Transactions with directors and executives

Section 2350: the aggregate amount of **EUR 4,115 thousand** corresponds to the expense recorded for remuneration of directors and executives, in accordance with the breakdown and explanations set out in Chapter IV, section 13.

Finally, in relation to financial year 2022, it is hereby noted that Pablo Jiménez de Parga (Secretary of the PRISA Board of Directors and a member of Senior Management) is Executive Vice President of the law firm ECIJA. During financial year 2022, following a favourable report from the Audit, Risks and Compliance Commission, the Board of Directors authorised the hiring of ECIJA to provide legal advice to certain PRISA Group companies, on specific matters (the amount of EUR 22 thousand is for the services recorded in the 2022 consolidated financial statements).

Transactions between Group employees, companies or entities

Section 2350: the aggregate amount of **EUR 1,223 thousand** is mainly includes the advertising commission expense with Wemass Media Audience Safe Solutions, S.L.

Section 2356: the aggregate amount of **EUR 13,119 thousand** mainly includes the income received for commercialization of advertising with Wemass Media Audience Safe Solutions, S.L.

Section 2347: the amount of **EUR 4,227 thousand** includes outstanding receivables with affiliated companies, mainly with Wemass Media Audience Safe Solutions, S.L., for advertising sales. It also includes the loan granted by Prisa Media, S.A.U. to Wemass Media Audience Safe Solutions, S.L. totalling EUR 200 thousand.

16. ONGOING LITIGATIONS AND CLAIMS

A) CNMC

On May 30, 2019, the National Markets and Competition Committee (CNMC), by Resolution declared that certain companies within Grupo Santillana -i.e. 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 Difusio en Catala, S.L. (collectively, the “Affected Companies”) (as well as companies belonging to other editorial groups) allegedly committed two serious infringements to Article 1 of the 15/2007 Competition Defense Law and to Article 101 of the Treaty on the Functioning of the European Union; imposing an accumulated penalty of EUR 9,214 thousand, without prejudice to the breakdown of the penalties that the Resolution applies to each society.

On July 19, 2019, an administrative contentious appeal was lodged against said Resolution before Section Six of the National Court (Audiencia Nacional) and requested the suspension of the enforceability of the Resolution for the duration of the procedure. On September 4, 2019, the National Court (Audiencia Nacional) suspended the enforceability of the Resolution subject to the guarantee submission for the amount of the penalty imposed by the Resolution.

On November 4, 2019 a bank guarantee for the said amount was submitted before the National Court (Audiencia Nacional) and by Order of November 6, 2019, the Chamber agreed to consider complete in due time and form the imposed condition and therefore to suspend the enforceability of the Resolution.

On April 16, 2020, the Affected Companies filed the corresponding lawsuit before the National Court (Audiencia Nacional) requesting the complete nullity of the Resolution and, alternatively, the complete nullity of the sanction imposed or its significant reduction. The State Attorney submitted the corresponding statement of defence properly and on time, having held the hearing to take the expert evidence (ratification) on October 26, 2020. The Affected Companies and the State Attorney deposited their closing argument memorandum on November 27, 2020 and on December 22, 2020, respectively.

On December 31, 2020, Grupo Santillana Educación Global, S.L. sold Santillana Educación, S.L. and its subsidiaries (Edicions Obradoiro, S.L., Edicions Voramar, S.A., Zubia Editoriala S.L., Ediciones Grazalema, S.L. and Grup Promotor d'Ensenyament i Difusió en Catalá, S.L.) to Sanoma Pro Oy, so that such companies are not a part of the Group perimeter. However, and in accordance with the terms of the sale and purchase agreement entered into, Grupo Santillana Educación Global, S.L. granted an indemnity to Sanoma Pro Oy on the result of this process.

On January 3, 2022, Santillana submitted to the National Court (Audiencia Nacional), a document by virtue of which is added to the file a sentence recently issued by the Contentious Administrative Chamber of National Court (happened later to the date on which Santillana presented its conclusions) within an ordinary procedure against a resolution of the CNMC -substantially identical to that of Santillana-, by virtue of which the aforementioned Chamber admits the arguments that support the requested annulment and that likewise fully coincide with those presented by Santillana within the procedure.

The process is currently pending voting and decision.

The Group’s Directors and internal and external advisors, do not consider that any relevant liabilities, not recorded by the Group, will arise from the resolution of this procedure.

B) 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.

17. EVENTS AFTER THE BALANCE SHEET DATE

In January 2023, the Board of Directors of PRISA unanimously agreed to issue subordinated bonds mandatorily convertible into newly issued ordinary shares of the company, with pre-emptive subscription rights of PRISA shareholders. This issue takes place through a public offer for subscription of a nominal amount up to a total of EUR 130 million, through the issue and putting into circulation of up to a total of 351,350 convertible bonds with a face value of EUR 370 each.

The maturity date of these convertible bonds and conversion into new shares will be on the fifth anniversary of the issue date (February 2028). However, holders of these convertible bonds will be entitled to request the early conversion of the number of convertible bonds that they deem necessary into new Company shares, at their discretion, in the set conversion periods.

A price of EUR 0.37 per new share has been set for the conversion of the convertible bonds. This is a fixed conversion price until their maturity date, which will be subject to the adjustments that are customary for issuing this type of instrument to ensure that, in the event that certain corporate transactions are carried out or certain resolutions are adopted that may result in the dilution of the value of the Company's shares, the conversion price is adjusted so that such transactions or resolutions affect the Company's shareholders and the holders of the convertible bonds equally.

The convertible bonds will bear interest at a fixed annual rate of 1.00% (which cannot be capitalised) and payable upon conversion into ordinary shares.

In February 2023, convertible bonds amounting to a total of EUR 130 million were subscribed, meaning 351,350 convertible bonds have been issued. Insofar as a fixed conversion price has been established (see above), without prejudice to the adjustment mechanisms which are customary in this type of transaction, the maximum number of new shares to be issued in connection with the voluntary or mandatory conversion of the convertible bonds on the basis of this conversion price is

351,350,000 new shares, which represents 47.44% of the Company's current share capital and 32.17% of the Company's share capital following the conversion of convertible bonds into new shares (again considering the current share capital).

The convertible bonds are expected to be admitted to trading on the Spanish regulated fixed income market (AIAF).

The issue is an instrument to reduce PRISA's syndicated financial debt, which is linked to a variable interest rate and which was refinanced in April 2022. This has enabled the Company to raise the funds necessary, mainly, and in accordance with the financing agreements entered into, to partially pay off early the tranche of the PRISA's syndicated financial debt that constitutes its largest interest financial expense, i.e. the Junior debt tranche, which is benchmarked at Euribor+8% (including cash and capitalisable cost), which as at December 31, 2022 totalled EUR 192,013 thousand (see note 10). In February, 2023 the Group had cancelled EUR 110 million of Junior debt.

The issue of this bond mandatorily convertible into shares has been treated and recorded in 2023 as a compound financial instrument, because it is includes both liability and equity components. The Group recognises, measures and presents the liability and equity components created by a single financial instrument separately on its balance sheet.

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 recognised 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.

Following this, the liability component has been calculated as the present value of the cash coupons payable, considering that the mandatory conversion will take place at the end of the bond's life, without considering early conversions, insofar as early conversions are out of the Company's control. As a result, a financial liability of approximately EUR 4 million has been recorded. The difference between the amount of this liability and the face value of the coupons will be recorded and posted in the income statement during the life of the aforementioned instrument using the effective interest method.

An equity component has been recorded because a residual share in a company's assets is evident, after deducting all of its liabilities, since the bond is mandatorily convertible into a fixed number of shares and does not include any contractual obligation to hand over cash or any other financial asset other than the payment of the aforementioned coupons. Therefore, as a result of recording the transaction at the fair value of the equity instruments being issued, an equity instrument amounting to approximately EUR 126 million has been posted, resulting from the difference between the cash received for the issue of the convertible bond and the liability described in the previous paragraph, thereby increasing the net consolidated equity by this amount. The conversion price of the convertible bonds does not substantially differ from the listed value of the PRISA shares during the subscription period of the convertible bond.

The transaction costs have mainly been recorded as a decrease in the consolidated net profit, since almost all of the convertible bond has been recorded as an equity instrument.

Moreover, the early, partial cancellation of the aforementioned Junior debt will result in a financial expense of approximately EUR 6 million being recorded in 2023. This amount is due to the difference between the nominal amount of the cancelled debt and its initial fair value at the time of the Refinancing, which at the time was pending being posted in the consolidated income statement during this refinancing period, and which caused a financial income in April 2022, as described in notes 10 and 12.

On February 15, 2023 all the conditions precedent to which such transaction agreement entered into between Corporativo Coral, S.A. de C.V., Sociedad Española de Radiodifusión, S.L.U. (“SER”) and the financial group Crédito Real was subject were finally fulfilled. All the parties have withdrawn the arbitral procedure before the International Chamber of Commerce in Paris. Therefore, all litigations regarding the shareholders’ agreement of Sistema Radiópolis, S.A. de C.V. referred to under the ongoing litigation and claims within the previous consolidated Financial Statements have been finally resolved.

PRISA Group

Consolidated Directors' Report for the 2022 financial year

1. BUSINESS PERFORMANCE

The Group's businesses continue to move forward with their strategic roadmap, presented in the Capital Markets Day of March 2022, with a focus on digital transformation, acceleration of subscription models and development of new digital formats, within a framework of continuous efficiency improvement plans.

By the end 2022, the Education business reaches 2.6 million subscriptions in its education systems. In the Media business, there is an average of 231 million monthly unique browsers, an average of 45 million monthly audio content downloads and 80 million of total listening hours. Regarding El País, accounts for 266,000 total subscribers.

PRISA's social mission, as a business group focused on two essential sectors such as Education and Media, takes full meaning with the events that are taking place in recent years (the COVID-19 pandemic, the war in Ukraine, etc). Reliable and accurate information and access to better education play a more significant role than ever before. Therefore, in these crisis situations, the Group has given the highest priority to the continuity of its activities, reaffirming its social commitment. In support of Spanish and Latin American society, PRISA continues to guarantee access to: comprehensive, accurate and truthful information; quality entertainment; and, of course, a wide range of educational services.

In 2022, the start of the war in Ukraine has contributed to a gradual worsening of the macro-economic conditions, with higher inflation rates and interests and lower growth expectations for the global economy. In this environment, the summary of the Group's results, compared to 2021, is as follows:

- Operating income amounted to EUR 850.2 million (+14.7% vs 2021; +9.7% in local currency). The Education business shows a significant improvement, mainly driven by the private business due to the expansion of the subscription models based on educational systems, the extraordinary institutional sale in Argentina and the recovery of traditional didactic sales after 2021 was still affected by the pandemic. The public business is in line with 2021 due to higher sales in Mexico and Brazil, which offset the cancellation of the institutional sale in the Dominican Republic. The Media business shows an improvement in advertising revenues and growth in the digital paywall subscription model of El País.

- Operating expenses (excluding depreciation and amortization charge, goodwill impairment and impairment and losses on fixed assets) amounted to EUR 712.6 million (+5.1% vs. 2021; +0.6% in local currency). Excluding the effect of lower severance payments, expenses grew +10.8% (+6.0% in local currency), mainly due to higher variable expenses (in line with the increase in revenues), the impact of inflation and the raise in the cost of goods sold, energy resources and distribution processes linked to the macro-economic circumstances, previously mentioned. The efficiency measures that the Group continues to apply, partially offset the impact of the increase in expenses, allowing the Group to increase margins.

- EBITDA increased significantly compared to 2021, reaching EUR 137.6 million (EUR +74.5 million vs 2021; EUR +67.6 million in local currency). Excluding severance payments, EBITDA grew +38.2% in relation to 2021 (+31.4% in constant currency). The Group uses EBITDA as a benchmark to monitor the performance of its businesses and to set its operational and strategic targets, therefore, this "alternative performance measure" is important for the Group and is used by other companies in the sector. EBITDA is defined as profit from operations plus assets depreciation and amortization charge, impairment of goodwill and impairment of assets.

The following tables detail the reconciliation between EBITDA and the Group's result from operations for each of the segments of 2022 and 2021 (in millions of euros):

	12.31.2022			
	Education	Media	Others	PRISA Group
PROFIT FROM OPERATIONS	**51.1**	**20.3**	**(8.0)**	**63.4**
Depreciations and amortisation charge	43.4	26.1	1.5	71.0
Impairment of goodwill	0.0	0.0	0.0	0.0
Impairment of assets	1.9	1.4	(0.1)	3.2
EBITDA	**96.4**	**47.8**	**(6.6)**	**137.6**

	12.31.2021			
	Education	Media	Others	PRISA Group
PROFIT FROM OPERATIONS	**26.1**	**(28.9)**	**(16.9)**	**(19.7)**
Depreciations and amortisation charge	39.9	37.7	0.7	78.3
Impairment of goodwill	0.0	0.0	0.0	0.0
Impairment of assets	3.3	1.1	0.1	4.5
EBITDA	**69.3**	**9.9**	**(16.1)**	**63.1**

Exchange rates have had an impact on the performance of the Group's results, mainly due to appreciation in Brazilian real, Mexican peso and US dollar: +EUR 37.4 million in income and +EUR 6.9 million in EBITDA. In this sense, PRISA defines the impact of exchange rates as the difference between the financial figure converted at the exchange rate of the current year and the same financial figure converted at the exchange rate of the previous year. The Group monitors both operating income and profit from operations excluding the aforementioned exchange rate effect for comparability purposes and to measure management by isolating the effect of currency fluctuations in the various countries. This “alternative performance measure” is therefore important in order to be able to measure and compare the Group's performance in isolation of the exchange rate effect, which distorts comparability between years.

The following table shows the exchange rate effect on operating income and EBITDA for the Education and Media business and for the PRISA Group (in millions of euros) in 2022 and 2021:

	2022	**Exchange rate effect**	**2022 excluding exchange rate effect**	**2021**	**Var. excluding Exchange rate effect**	**Var. (%) excluding exchange rate effect**
Education (*)						
Operating income	447.4	37.6	409.8	358.8	51.0	14.2
EBITDA	96.4	6.8	89.6	69.3	20.3	29.3
Media						
Operating income	403.8	(0.2)	404.0	383.3	20.7	5.4
EBITDA	47.8	0.1	47.7	9.9	37.8	381.8
PRISA Group						
Operating income	**850.2**	**37.4**	**812.8**	**741.2**	**71.7**	**9.7**
EBITDA	**137.6**	**6.9**	**130.7**	**63.1**	**67.6**	**107.2**

(*) Excluding the exchange rate effect of Venezuela.

Education business continues to develop with a focus on expansion of subscription models based on education systems. In 2022, the number of subscriptions rose by 33% to 2,626 thousand subscriptions, and learning systems sales grew in line (+43.6%). Private didactic sales also grew significantly compared to 2021 (+43.1%), due to the recovery after the impact of the pandemic at the beginning of 2021 in southern countries, the improvement in northern campaign countries and also due to the extraordinary institutional sale in Argentina. Regarding public sales, sales are roughly in line with 2021 in euros due to the increase in Brazil and Mexico offset the cancellation of the institutional sale in the Dominican Republic.

- Operating revenues stood at EUR 447.4 million in 2022, a growth of 24.7% compared to 2021 (+14.2% in local currency). Growth is driven by private sales (+43.4% due to the expansion of learning systems and the recovery of didactic sales, as well as the, already mentioned, significant institutional sale in Argentina). Public sales are roughly in line with 2021, in euros (-1.2%) due to Brazil and Mexico sales which offset the cancellation of the institutional sale in the Dominican Republic.

- Turning to operating expenses (excluding depreciation and amortization charges, goodwill impairment and impairment and losses on fixed assets), these amounted to EUR 351.1 million in 2022, above 2021 (+21.2% in euros, and +10.6% in local currency). The increase is both due to the increase in variable costs (in line with higher revenues) and the raise in the cost of goods sold, distribution and inflation. Efficiency measures partially offset the increase in expenses.

- EBITDA stood at EUR 96.4 million in 2022, with a growth of +39.1% compared to 2021 (+29.3% in local currency).

- The impact of exchange rates was EUR +37.6 million in operating income and EUR +6.8 million in EBITDA.

Media business continues to focus on brand leadership in the Spanish-speaking market, on digital transformation and growth of subscribers in El País. In 2022, audio downloads saw a monthly average of 45 million (up by +35%) and hours of streaming listening (TLH) stood at 80 million (an increase of +19%). Besides, Prisa Media achieves 231 million monthly average unique browsers. On the other hand, El País digital subscription model accounts for 227,000 subscribers in December 2022. Regarding the operating income, 2022 shows growth driven by the recovery in radio advertising and the development in El País subscription model.

- Operating revenues stood at EUR 403.8 million in 2022, a growth of 5.3% compared to 2021 due to the recovery of advertising revenues, which grew by +4%. Also, growth is driven by El País’ digital subscription model raise (+37% in revenues).

- Turning to operating expenses (excluding depreciation and amortization charges, goodwill impairment and impairment and losses on fixed assets), these amounted to EUR 356.0 million in 2022, with a fall of -4.7% compared to 2021 (+3.0% excluding severance expenses). The descend in severance expenses (linked to the restructuring plan of 2021) and the efficiency measures offset the increase in variable costs (in line with higher revenues), the impact of inflation and the increase in costs related to the macro-economic circumstances.

- EBITDA stood at EUR 47.8 million in 2022, compared to EUR 9.9 million in 2021, an improvement of EUR +37.9 million, mainly due to the market advertising recovery and cost savings. Excluding severance expenses, EBITDA accounts for EUR 52.1 million, a +24.3% improvement compared to 2021.

The Group's net bank debt increased by EUR 100.3 million during 2022 and amounted to EUR 856.4 million at December 31, 2022, due to the Group's cash needs during the year 2022, including the acquisition of 20% stake of Prisa Radio and the refinancing costs amounting to EUR 30 million and EUR 16 million, respectively. This debt indicator is an “alternative measure of performance” and includes non-current and current bank borrowings, excluding present value in financial instruments/loan arrangements costs, diminished by current financial assets, cash and cash equivalents and is important for the analysis of the Group's financial position.

The following table shows the composition of this indicator at December 31, 2022 and at December 31, 2021:

	Million of euros	
	12/31/22	12/31/21
Non-current bank borrowings	980.8	934.3
Current bank borrowings	30.8	14.9
Present value/refinancing costs (*)	35.8	(22.4)
Current financial assets (**)	(1.5)	(2.0)
Cash and cash equivalents	(189.5)	(168.7)
NET BANK DEBT	**856.4**	**756.1**

(*) See note 10 of the attached explanatory notes
(**) Excludes finance lease receivable associated with IFRS 16 in 2021 (EUR 0.4 million)

The Group has taken steps to maximize its liquidity, with an available cash at the end of December amounting to EUR 179.5 million and EUR 25 million of available unused credit facilities and other credit lines.

2. 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 situation.
- Strategic and operational risks
- Non financial risks.
- Reputational risks.

2.1. Risks relating to the financial situation

1. *Financing risk due to the high level of debt of PRISA, that significantly limits their financial capacity.*

The Group's financial obligations are set out in note 10 in the attached explanatory notes of the year 2022.

As of December 31, 2022, the Group's net bank debt level stood at EUR 856.4 million, which could pose a number of risks to the Group as:

- It increases the Group's vulnerability to the macroeconomic environment and market developments, especially in those businesses with greater exposure to economic cycles;
- It requires allocating a significant portion of cash flows from operations to meet interest payment and debt principal repayment obligations, reducing the ability to allocate these flows to meet working capital needs, as well as to finance investments and future operations;
- It limits the Group's financial, strategic and operational flexibility, as well as the ability to adapt to changes in markets; and
- It places the Group at a disadvantage relative to less indebted competitors.

In February 2022, the Board of Directors of PRISA unanimously approved the signing of a lock-up agreement incorporating a term sheet with the basic conditions for the modification of the Group's syndicated financial debt. On 19 April 2022, the 2022 Refinancing came into force, once the agreements reached with all of its creditors were made public. The basic terms of the Refinancing consisted, inter alia, of extending the maturity of the financial debt to 2026 and 2027, splitting the syndicated loan into two distinct tranches, refinancing the existing Super Senior Debt and relaxing the contractual debt covenants. The agreed Refinancing thus make the Group's financial debt more flexible and provide a financial structure allowing the Group to comply with its financial commitments, ensuring the Group's stability in the short and medium term.

In this regard, and as indicated in note 17 of PRISA's explanatory notes, in February 2023 the Group has amortized debt of the Junior tranche for an amount of EUR 110 million, with the funds obtained from the issue of a bond mandatorily convertible into shares, which reduces the Group's level of leverage.

The credit rating assigned to the Company may be reviewed, suspended or removed at any time by one or more of the credit rating agencies. A downgrade of the Company's credit rating could adversely affect the terms of any future refinancing of the Group's financial debt, as well as limit the Group's access to financial markets, investors and certain lenders.

2. Risk of an early maturity of the financial debt if certain contractual clauses are breached.

The agreements associated with the Refinancing of the PRISA Group stipulate requirements and commitments to comply with certain leverage and financial ratios (covenants). The new financial contracts set out compliance with certain financial ratios for the PRISA Group, which began to be applied on 30 June 2022 and failure to comply with them would result in early maturity of the bank debt.

The determination of these covenants has been made in consideration of market conditions and in accordance with PRISA's business expectations at the time of negotiation of the Refinancing. However, these conditions and expectations may be modified and affected by the complexity of the markets due to, among other issues, the globalisation of the markets.

The Refinancing agreement also includes causes for early termination as is customary in this kind of agreement, and includes provisions on cross-default, which could cause, if the breach exceeds certain amounts, the early maturity and resolution of the aforementioned contracts.

3. Exposure to variable interest risk.

The Group is exposed to interest rate fluctuations insofar as a significant portion of the cost of the Group's borrowings is linked to floating interest rates (mainly Euribor) thar are periodically updated.

At December 31, 2022 97.67% of the Group's bank borrowings were tied to floating interest rates.

In this respect, although the Group continues to evaluate the contracting of derivative products to limit the impact of potential rises in the Euribor, further increases in interest rates would lead to higher financial expenses and interest payments, which would have a negative impact on the Group's cash flow. In this sense, at the end 2022 the Company has contracted an interest rate hedge arranged of a nominal amount of EUR 150 million which caps the three-month Euribor at 2.25%. In addition, in January 2023 a new interest rate hedge has been contracted, in this case, on a nominal of EUR 150 million and a cap of 2.25% (three-month Euribor). If Euribor was below said percentages, such coverages would not be applicable.

4. Risk of Company equity imbalance.

PRISA, in its capacity as parent company of the Group carries out its activities through a group of subsidiaries, joint ventures and associated companies, so that, at present, a substantial part of its income comes from the distribution of dividends from its subsidiaries and their consideration as such for accounting purposes. During the 2022 financial year 46.3% of the

Company's total income in that period came from the distribution of dividends from its subsidiaries.

An adverse development of the PRISA Group's business for any reason could have a negative impact on the dividend income received by the Company. In addition, a significant part of the Group's companies are located in Latin America and therefore the aforementioned dividends are subject, inter alia, to exchange rate risk and devaluation of the foreign currencies of the countries in which the Group operates.

Furthermore, the Refinancing has entailed a reorganisation of the debt in terms of borrowers, which has meant that the entire financial expense associated with the refinanced debt is now recorded in the Company. In this respect, the interest rate of this debt is benchmarked to a variable interest rate, Euribor. There is also a risk that PRISA, as the parent company of a group of subsidiaries, may record possible impairment losses on the carrying amount of its investments when the value in use of the investments is lower than their carrying amount.

In this regard, in the event that the Company does not receive sufficient dividends from its subsidiaries to offset, mainly, the cost of debt financing, possible impairment of assets and financial investments, possible contingencies and other operating costs of the Company, or in the event that the dividends received are not considered income because they do not comply with current accounting regulations, PRISA would incur losses, eroding its equity at the individual level.

Therefore, in the event that the Company incurs losses in the future or that such losses accumulate in subsequent years and the net assets are reduced to less than 2/3 of the share capital (set at EUR 74,065,019.30 at December 31, 2022), a new situation of equity imbalance could arise, in accordance with the provisions of the Capital Companies Act. At December 31, 2022 the net equity of PRISA (as a sole company) amounts to EUR 283 million.

Notwithstanding the foregoing, and although this does not affect a possible equity imbalance according to the aforementioned Capital Companies Act (measured based on the net equity of individual companies), Prisa has incurred losses at the consolidated level in past years and periods, mainly due to the accounting impact of certain corporate transactions and extraordinary events and conversion differences, which has caused the consolidated Group to record a negative net equity of EUR 532,160 thousand as at 31 December 2022.

5. Risk of exchange rates.

The Group is exposed to fluctuations in exchange rates mainly due to financial investments made in stakes in Latin American companies, as well as revenue and profits from said investments. In 2022, 61.3% of the Group's operating revenues came from countries with a functional currency other than the euro.

A devaluation of the foreign currencies of the countries in which the Group operates against the euro would have an adverse impact on the repatriation of the euro cash of the Group's foreign companies, e.g. via dividends. In this respect, an unfavourable development of the exchange rate effect as a result of an increase in exchange rates against the currencies of the main countries in which the Group has a presence would lead to a negative impact on the consolidated income statement and the Group's cash flow.

At present, the Group does not have any significant exchange rate derivatives. Without prejudice to the foregoing, the Group follows the practice of arranging, on the basis of its forecasts and budgets which are analysed on a monthly basis, hedging contracts for exchange rate risk (exchange rate insurance, forwards, structured products and currency options mainly) depending on the risks and opportunities identified in this respect in the markets in order to reduce the volatility of the operations and results of the Group's companies operating abroad.

Furthermore, possible adverse developments in the economies of the Latin American countries in which the Group is present could lead to hyperinflationary situations, with the consequent negative impact on exchange rates.

6. *Credit and liquidity risk due to, in other aspects, to the high fixed costs in the advertising sector and the seasonality in the businesses of the Group.*

The adverse macroeconomic situation in recent years, mainly due to extraordinary events such as the COVID-19 health crisis in 2020 and 2021 or the war in Ukraine have had a negative impact on the Group's cash generation capacity, with an increase in liquidity tensions in the economy, as well as a contraction of the credit market.

In this respect, advertising-dependent businesses, in addition to being highly dependent on the economic cycle, 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. At December 31, 2022 advertising revenues represent 36.4% of the Group's operating revenues.

As for the seasonality of business, it is worth noting that, in Media, advertising is mainly concentrated in the last quarter of the year, with the first quarter being a period with lower advertising revenues. In the case of the Education area, the last quarter is also the one with the highest volume of income, coinciding with the beginning of the Southern Campaigns and taking into account that the largest part of Brazil's public sale is invoiced in the referred quarter. However, the second quarter of the year is usually of little relative weight in the total for the year. Although, on an annual basis, the seasonality of the Group's cash flows is not significant, as the flows from the various business units are offset, largely mitigating the effect of seasonality, the seasonal nature of the Group's businesses could give rise to some cash pressures during periods when collections are structurally lower.

With regard to trade credit risk, which is defined as the possibility that a third party will not meet its contractual obligations, thereby causing losses for the Group, the Group assesses the ageing of receivables and constantly monitors the management of collections and payments associated with all its activities, as well as the maturities of financial and commercial debt and recurrently analyses other sources of financing in order to cover expected cash requirements in the short, medium and long term.

To mitigate this risk the Group has a Super Senior debt ("S*uper Senior Term &Revolving Facilities Agreement*") to meet operational needs for a maximum amount of up to EUR 240 million, that is fully drawn as of December 31, 2022. Likewise, the rest of subsidiaries of the Group have at December 31, 2022 undrawn credit facilities and other credit lines amounting to EUR 25 million. In addition, as of December 31, 2022, the Group had a cash available of EUR 179.5 million. The Group has also implemented specific plans for the improvement and efficient management of liquidity to address these tensions.

7. *Risk of write down of intangible assets, goodwill and tax credits.*

On December 31, 2022 the group had recognised in its consolidated balance sheet intangible assets amounting to EUR 105 million (10.7% of total assets), goodwill amounting to EUR 117 million (11.9% of total assets) and EUR 117,566 thousand (13.9% of total assets) and deferred tax assets of EUR 55 million (5.6% of total assets).

In the analysis of the determination of the recoverable amount (in accordance with current accounting regulations) and thus in the valuation of intangible assets and goodwill, as well as in estimating the recovery of tax credits, estimates are used, made as of the date determined on the basis of the best information available at that date.

However, it is possible that future events may make it necessary to change these estimates downwards (i.e., a deterioration in them global macroeconomic situation), which would result in the recognition in the income statement of accounting losses due to the effect of these new negative estimates on the valuation of intangible assets, goodwill and tax credits recognised.

In relation to tax credits, there is a risk of changes or divergences in the interpretation of tax rules in Spain or other jurisdictions in which the Group operates, that could affect the recoverability of these tax credits, together with the Group's ability to generate taxable profits in the period in which such tax credits remain deductible.

2.2. Strategic and operational risks

8. Risk related to economical and geopolitical macroeconomic.

The geographical location of the Group's activities is currently concentrated in Spain and Latin America (Brazil, Mexico, Colombia, Chile and Argentina, among others).

In 2022 61.5% of the Group's operating revenues came from international markets. While America (Latin America+USA) is a significant geographic market for the Group, Spain continues to maintain a relevant weight, representing 38.5% of the Group's operating revenues.

Any adverse change affecting the Spanish and Latin American economy (such as the tensions and military developments around Ukraine, the trade tensions of recent years between the United States and China, Brexit and rise of populism, among others) could affect the spending of the Group's customers, present or future, on the Group's products and services and therefore also affect the Group directly. PRISA operations and investments may also 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 nationalisations, tax changes or changes in policies and regulations.

9. Risk of higher commodity costs and inflation in the current environment.

The spread of COVID-19 since early 2020, declared a “pandemic” by the World Health Organization (WHO) in March 2020, affected the global economy and economic activity and conditions in the countries where the Group operates (such as, adverse effects on unemployment levels, supply interruptions, decrease in economic activity, etc.). Although during 2021 and 2022, the adverse impact of the COVID-19 health crisis has been reduced due to, among other things, the effectiveness and progressive roll-out of the vaccines, this positive development is not occurring equally across all countries in which the Group operates, and there is still uncertainty related to the health crisis.

Furthermore, in the first half of 2022, the onset of the Russia-Ukraine conflict and the uncertainties surrounding it have contributed to a further gradual deterioration of the macroeconomic environment, leading, among other things, to significant market disruptions, instability and volatility, as well as an increase in inflation and tensions over Russian gas supply cuts that have worsened the global outlook, and uncertainty over the development of the conflict, con an adverse impact in GDP.

Although the Group has no direct exposure to Russia, the tensions surrounding the Russia-Ukraine conflict could adversely affect the Group, through factors such as inflation, the volatile of energy prices or the increase in the cost of raw materials and other industrial costs. While the PRISA Group generally attempts to pass on operating cost increases and inflation to customers, there is no guarantee that the Company will be able to do so due to competitive pressures and other factors.

10. Risk of digital transformation, changing trends and emergence of new players and competence in Education and Media businesses.

In both the Education and Media businesses, competition between companies, the emergence of new players and changing trends represent threats and new opportunities for the Group's traditional business models.

In the Education business the Group competes with both traditional players and new, more digital operators focused on education systems offering alternative content and services and smaller businesses (educational start-ups, online portals, etc.). In addition, there is a growing trend towards open access to educational content (usually via online sites), a proliferating market for second-hand materials and an increasing number of schools not using books and developing new content within the scope of curricular autonomy at school level. This set of trends, in this competitive environment, puts downward pressure on the prices of educational content and services in the Group's main markets.

In the Media business, overall revenues (advertising, circulation and other) continue to be negatively impacted by the growth of alternative means of content distribution. The user has changed access to content consumption: significantly increases consumption through digital media and, at the same time, incorporates the offer of the new digital operators into what the traditional media have to offer. The proliferation of these alternative means of content distribution has significantly expanded the options available to consumers, resulting in audience fragmentation, as well as an increase in the inventory of digital advertising space available to advertisers, which affects and is expected to continue to affect the Group's Media businesses.

11. Risk of concentration of customers in the public sector (Education)

The Education segment main customers in the public education market are governments and public bodies in the various jurisdictions in which it operates.

Consequently, in the event that the economic situation in these countries deteriorates, regulatory or public policy changes occur or existing contractual relationships are not renewed, without the Group being able to replace them with others on materially similar terms, there could be a material adverse impact.

12. Risk of deterioration of the advertising market of the Media business.

A significant part of PRISA Group's operating revenues come from the advertising market, in its Media business. In the 2022 financial year advertising revenues from the Group's Media division accounted for 36.4% of the Group's operating revenues.

Generally speaking, spending by advertisers tends to be cyclical and reflects the general economic situation and outlook. Therefore, in the event of a worsening of macroeconomic magnitudes in the countries in which the Group operates, the adverting invest prospects of the advertisers could be negatively affected.

The Company cannot predict the advertising market's trend in the short, medium and long term, and given the large, fixed cost component associated with businesses with a high weighting of advertising revenues, a fall in advertising revenues would have a direct impact on the margins and results of Media business, with the consequent negative impact on the Group.

13. Risk related to Group's dependence on IT systems (cybersecurity)

The businesses in which the Group operates are heavily reliant on information technology (“IT”) both in terms of “back office” (systems that businesses use to operate their businesses:

Entreprise Resource Planning (ERP), content management, advertising, broadcasting, etc.), as well as in the front office and the solutions that the Group's businesses offer the market as part of their value proposition: from the websites and apps of digital properties in the area of Media, to the technological platform and educational systems in the area of Education.

IT systems are vulnerable with respect to a range of problems, such as hardware and software malfunctions, computer viruses, hacking and physical damage to IT facilities. In particular, the Group operates in an environment of increasing cyber threats in recent years.

This is why IT systems need regular upgrades, some of which are carried out on a preventive basis. However, the Group may not be able to implement the necessary upgrades in a timely manner or the timely upgrades may not work as planned. In addition, the Group may not have sufficient capacity to identify technical vulnerabilities and security weaknesses in operational processes as well as in the ability to detect and react to incidents. Although the Group has outsourced IT management services and undertaking innovation projects in certain Group companies to various technology providers, if the provision of these services were not to continue or were to be transferred to new providers, the Group's operations could be affected.

14. Risk for the proliferation of sectoral regulation

The PRISA Group operates in regulated sectors and is therefore exposed to regulatory and administrative risks that could adversely affect its business.

In particular, the Group's radio business is subject to the obligation to hold concessions or licences depending on the country in which the Group operates to undertake this activity. These concessions and licences are obtained directly by the Group or through third parties by entering into licence lease agreements. There is therefore a risk that existing licences may not be renewed due to various factors (some of which may be beyond the Group's control), that they may be modified or revoked, as well as that upon termination of existing licence leases the relevant third parties may not wish to renew them with the Group or may renew them on less favourable terms.

In addition, the Group's Education business is subject to the education policies approved by the governments of the countries in which operates. In this respect, the Education business could be affected by legislative changes arising, for example, from the succession of governments, changes in contracting procedures with public administrations or the need to obtain prior administrative authorisations regarding its content. Curricular changes require the Group to modify its educational content, which in turn requires additional investments, and there is a risk that the return on these investments may be lower than expected.

15. Litigations and third parties claim risks

PRISA Group companies are exposed to claims from third parties, as well as to administrative, judicial and arbitration proceedings arising as a result of undertaking their activities and business, the scope, content or outcome of which cannot be predicted. Moreover, when running its activities and businesses, the Group is exposed to potential liabilities and claims in the area of employment relations. PRISA is also exposed to liability for the content in its publications and programmes.

Although provisions have been made for litigation and contingencies of probable occurrence (probability of more than 50%), there are a number of large litigation cases for which no provision has been made, as they have been classified as possible or remote risk by the Group's internal and external legal advisors.

16. Risk related to the increase in royalties for the use of third party intellectual property rights.

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.

To the extent that the Group is not involved in determining the economic consideration for the use of these rights, there is a risk that significant upward variations in the amount of this consideration could have a negative impact on the Group's business.

17. Regulation risk to extensive antitrust and merger control regulations.

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.

In this regard, the Group is exposed to the risk of potential non-compliance with applicable antitrust or merger control regulations, which in turn exposes the Group to the risk that the competition authorities and agencies of the countries in which the Group operates may initiate disciplinary proceedings against the Group. This could eventually lead to the imposition of economic sanctions on the Group and damage its reputation in the markets in which it operates.

18. Data protection risk

The Group has a large amount of personal data at its disposal through undertaking its business, included those related to employees, readers and students. Therefore, the Group is subject to data protection regulations in the various countries where it operates.

The growing digital activity of the Group's businesses entails a particular risk related to the IT management of personal data, which could result in security breaches of varying scope and severity occurring.

Failure to comply could result in reputational damage to the Group and the payment of significant fines. In addition, any disclosure of such personal information by unauthorised third parties or employees could affect the Group's reputation, limit its ability to attract and retain consumers or expose it to claims for damages suffered by individuals to whom the personal information relates.

19. Intellectual property risk

The Group's businesses largely depend on the intellectual and industrial property rights over, among other items, brands, literary content or technology wholly developed by the Group. Brands and other intellectual and industrial property rights comprise one of the pillars of success and maintenance of the Group's competitive advantage. However, there is a risk that third parties, without the Company's authorisation, may attempt to copy or otherwise obtain and misuse content, services or technology developed by the Group.

Similarly, recent technological advances have made it much easier for unauthorised reproduction and distribution of content through various channels, making it more difficult to enforce the protection mechanisms associated with intellectual and industrial property rights. In addition, the Group's international presence entails the risk that it may not be able to protect intellectual property rights efficiently in all jurisdictions in which it operates.

2.3. Non financial risks

See section 5 of the Consolidated Directors´ Report of 2021.

2.4. Reputational risks

See section 5 of the Consolidated Directors´ Report of 2021.

3. FORESEEABLE DEVELOPMENT: BUSINESS DEVELOPMENT PROSPECTS: KEY FACTORS AND TRENDS

The Group's outlook is to continue on its strategic roadmap, with a priority focus on generating added value through digital transformation and the commitment to subscription models, in order to maximize the results of its businesses in the future, strengthen the balance sheet structure, generate cash flow and reduce debt.

Recent years have been marked by a general climate of almost constant volatility, uncertainty, complexity and ambiguity. This makes it difficult to predict future business performance, especially in the medium and long term. This environment of complexity has been greatly aggravated as a result of different events that are having a great impact at a global level: COVID-19 pandemic, war in Ukraine, disruptions in the supply chain, significant increase in inflation rates, increase in the price of energy resources, or rise in interest rates, to name some of the most relevant.

According to the latest edition of the World Bank's “Global Economic Prospects” (January 2023), global growth is slowing sharply due to high inflation, rising interest rates, reduced investment, and disruptions caused by Russia's invasion of Ukraine. This slowdown in the world economy could turn into a prolonged period of low growth and high inflation (stagflation).

In general, both the Education business and the Media business tend to develop in a way that is very much subject to the macroeconomic environment. For example, in terms of costs, raw materials, energy resources or distribution, they are being affected as a result of rising inflation and environmental disruptions in the supply chain.

In addition, in the case of the Media, the behavior of the advertising market is particularly affected. PRISA's activities and investments in Spain and Latin America are exposed to the development of the different macroeconomic parameters of each country, including the development of currency exchange rates.

On this matter, the war in Ukraine with its macro-economic impact is lowering growth in the economies, delaying the effects of recovery from the COVID-19 pandemic. According to the IMF for the year 2023 (figures from the October 2022 report), GDP expected growth for advanced economies will be +1.1% (vs +2.4% in 2022). For Spain, the IMF expects a +1.2% growth (+4.3% in 2022). The main countries in which PRISA operates in Latin America will also experience a slowdown in its 2023 growth according to IMF: Brazil will grow +1.0% (+2.8% in 2022), Mexico +1.2% (+2.1% in 2022), Colombia +2.2% (+7.6% in 2022), Peru +2.6% (+2.7% in 2022), Argentina +2.0% (+4.0% in 2022) and Chile will fall by -1.0% (+2.0% in 2022). For the whole of Latin America, it is expected a +1.7% growth for 2023 (+3.5% in 2022).

In line with the development of economic indicators in Latin America, the Group's results have also been affected by exchange rate volatility. In 2022, most of the currencies of Latin American countries have appreciated.

In this environment, as it has been doing in recent decades, the Group will continue to work to adapt to the new reality of its business by defining and implementing the initiatives that may be necessary: strict control of costs and investments, development of new sources of income, transformation and flexibility of business models, etc.

Another factor that affects the future development of PRISA's business is the advertising cycle. 36.4% of the Group's operating income in 2022 will come from advertising. The Media businesses, which are largely dependent on advertising revenues, have a high percentage of fixed costs, so that significant variations in advertising revenues have a significant impact on results, leading to an improvement or worsening of margins and the Group's cash position.

In this regard, during 2021 the advertising market partially recovered from the drastic drop of advertising investment in 2020 due to the COVID-19 pandemic, and recovery continues in 2022, although somehow affected by the macro-economic consequences of the war in Ukraine, especially in Europe. However, the Group’s advertising revenues has grown +3.8% compared to the previous year.

i2P’s December 2022 report indicates that the total advertising market in Spain grows by +2.5% for the whole of the year 2022 (+2.8% expected growth for 2023), whereas the market in which is PRISA’s media is present grows by +3.2% (+2.1% expected in 2023). The Group’s advertising revenues in Spain have grown +1.6% (gross advertising data) in 2022 compared to 2021.

In Latin America, the advertising market also recovered throughout 2021 from the impact of the pandemic. The incidence of the war in Ukraine is not affecting so significantly to date the advertising evolution in the countries in which the Group operates in Latin America. Thus, so far in 2022, the following growths are estimated for the market: +20% in Colombia (according to Asomedios December 2022) and +11% in Chile (according to Asociación de Agencias de Medios, November 2022). PRISA’s growth in both countries is as follows: +22% in Colombia and +9% in Chile in 2022 compared to 2021 (gross advertising data, in local currency).

According to the strategic roadmap on which the Group has been working in recent years, Media businesses will continue to develop and reduce their dependence on the performance of the offline advertising market and traditional formats. It will place more and more focus not only on the traditional advertiser, but also on the content consumer and new digital formats. It is worth mentioning the commitment to digital transformation and the development of subscription models. Significant events such as the launch of El País's digital subscription paywall model, that already reaches 227 thousand digital subscribers, or the development of the value proposition around the concept of audio, highlight the importance of this trend.

In addition, PRISA has the Education business, not so dependent on the economic cycle, which as of December 2022 represents 52.6% of the Group's operating income. Although the Education business has so far proven to be more resilient to crisis, the COVID-19 pandemic had a negative impact, especially on the development of traditional educational sales campaigns. Nevertheless, the pandemic has also implied an opportunity to accelerate the digital transformation towards the subscription models due to the increase of use of educational online platforms, that have thrust its usage precisely during this stage when a face-to-face teaching model was not possible.

During 2022, the reopening of schools has allowed a more efficient commercial campaign and with increasing demand for digital models, which implied a recovery in Santillana’s income. The subscription models (educational systems) based on a hybrid teaching methodology (online and offline, face-to-face and distance, paper and digital, school and home, etc.), have continued to grow in 2022, which confirms the importance of the digital transformation strategy at Santillana. On the other hand, the macro-economic situation is affecting the cost of goods sold and the distribution expenses, which is partially offset with cost control measures mainly in non-commercial expenses.

In any of the development scenarios, the strategic roadmap for the Education business will focus on maintaining its leadership position and maximizing growth leveraged on subscription models, with a commitment to these increasingly hybrid formats and methodologies, with a growing weight of the digital component.

Therefore, an important part of the Group's strategy and its business is based on digital development: from continuously developing the value proposition (increasingly digital) to business models more focused on monetization in the digital sphere (subscription models and new digital formats), to, for example, the implementation of technological platforms adapted to the reality of the businesses, or the development of management and use of user data.

Digital audiences of the Group continue to show significant figures. Prisa Media reached a total of 231 million unique browsers on monthly average per year in 2022, almost 7 million registered users (+17% compared to 2021), and 45 million audio downloads (+35% compared to 2021); Besides, 227 thousand digital subscribers have been registered in El País at the end of the year. Santillana's educational digital ecosystem continues its expansion and enriching its offer, adapting to the reopening of schools, maintaining levels of usage of the educational platform, above the registers before the pandemic. In this regard, the pandemic has contributed to intensifying the use of technologies for the consumption of information, education or entertainment, favoring the growth of the Group's digital audiences.

The Group's strategy for the coming years will also continue to be committed to digital development in two of its business units: Media and Education.