



**REPORT ISSUED BY THE BOARD OF DIRECTORS OF PROMOTORA DE INFORMACIONES, S.A. WITH REGARD TO THE PROPOSED RESOLUTION FOR THE APPROVAL OF THE SALE TRANSACTION INCLUDED AS ITEM TWO OF THE AGENDA OF THE EXTRAORDINARY SHAREHOLDERS' MEETING CALLED FOR OCTOBER 30 AND 31, 2017, ON FIRST AND SECOND CALL, RESPECTIVELY**

**I. Subject of the Report.**

The Board of Directors of PROMOTORA DE INFORMACIONES, S.A. (“**PRISA**” or the “**Company**”) issues this Report (the “**Report**”) for the purpose of justifying the proposal that, to the effects of art. 160.f) of the Capital Companies Act (the “**CCA**”), will be submitted to the approval of the General Shareholders’ Meeting under Item Two of the Agenda, to be held on October 30, 2017, on first call, and October 31, 2017, on second call, in relation to the sale of the 100% of the share capital of Vertix, SGPS, S.A. (“**Vertix**”) to MEO – Serviços de Comunicações e Multimedia, S.A. (“**MEO**”), belonging to Altice Group (“**Altice**”), which entails the indirect sale of 94.69% of the share capital of Grupo Media Capital, SGPS, S.A. (“**Media Capital**”) (hereinafter, the “**Transaction**”).

This Report will be at the disposal of the Company’s shareholders as from the date of publication of the call notice for the Extraordinary General Shareholders’ Meeting which shall resolve on the proposal to approve the Transaction.

**II. Essential nature of the asset and the power of the General Shareholders’ Meeting**

In accordance with art. 160.f) of the CCA, the approval of the transfer of an essential asset is one of the legal powers of the general shareholders’ meeting.

The Company’s Board of Directors considers that its listed subsidiary Media Capital is an essential asset, given that it is the main asset within one of the four Companies’ activity or business units, such as the media one; in this regard, PRISA, through Media Capital, is currently the leader of commercial television in Portugal with TVI, as well as a reference in the production and distribution of information and fictional TV shows in Portuguese, with projection in Brazil and the Portuguese-speaking countries in Africa.

In light of the above, and the approval required for the Transaction by the General Shareholders’ Meeting, the Board of Directors has approved this Report which will be made available to all the Company’s shareholders.

### III. Precedents and terms of the share purchase agreement.

On July 13, 2017, the Company (as *Seller*) and MEO (as *Purchaser*) entered into a share purchase agreement for 100% of the shares into which Vertex's share capital is divided (the "**Share Purchase Agreement**"), which entails the indirect transfer of 94.69% of the share capital that PRISA holds, through Vertex, in Media Capital, a company listed on the regulated market of Euronext Lisbon – *Sociedade Gestora de Mercados Regulamentados, S.A.*

The price to be received by PRISA for the sale of 100% of Vertex shares is regulated under the Share Purchase Agreement in a determinable form, based on an *Enterprise Value* of Eur 440,000,000, and subject to a post-Closing adjustment based on *Bridge to Equity* parameters.

Pursuant to fairly reasonable estimates made by the Company as of the date hereof, and once the relevant adjustments have been made, the share price may amount to Eur 321,499,000 and will be paid by the Purchaser on the Transaction closing date, on which title to the shares shall be transferred once all of the conditions to which the Transaction is subject are fulfilled.

Said conditions precedent consist of the approval of the Transaction by the Portuguese Media Regulator (*Entidade Reguladora para Comunicaçao Social –ERC-*), the Company's General Shareholders' Meeting, the antitrust authorities and PRISA's financial creditors, these being standard conditions in this kind of transaction. Once the Transaction is approved by the General Shareholders' Meeting and the other conditions precedent are fulfilled, it is foreseen that the Transaction may close during the fourth quarter of 2017 or the first quarter of 2018.

In connection with the conditions precedent, the Board of Directors states that the waiver from PRISA's financial creditors was obtained on September 29, 2017.

As standard in this type of transactions, from the date of execution of the Share Purchase Agreement (July 13, 2017) until closing, the Company shall procure that both Vertex and its subsidiaries, including Media Capital, operate within the ordinary course of business.

The Share Purchase Agreement also includes a liability regime applicable to PRISA, as seller, which is standard in this type of transaction and which affects the shares and capital of the transferred companies, their assets and liabilities and the Media Capital business. In the same vein, the Share Purchase Agreement includes standard limits to PRISA's liability, such as a liability cap, threshold and *de minimis*, as well as a maximum liability period.

### IV. Implications of the Transaction for the Company and economic grounds

From a financial perspective, the Transaction enables the Company to take a further step within its process to reduce the corporate debt, which is added to all those steps taken since 2013, when the Company reached an agreement with its creditors to refinance the existing debt. Since December 2013, PRISA has repaid 1,751,385 thousand Euros of debt (52.8% of

the corporate debt existing at that time) by means of asset sales, capital increases, bond issues and debt buybacks with a discount, all of them having been opportunely notified to the market.

From an accounting perspective, the Transaction would entail an accounting loss and a reduction of PRISA's individual equity for an amount of 85,588 thousand Euros approx. The accounting loss arisen in PRISA's individual financial statements is due to Media Capital's book value being 397,901 thousand Euros. In light of such losses, the Company's equity is below half of the share capital figure as of August 31, 2017, due to which the Company's Board of Directors is proposing to approve a share capital reduction, restating PRISA's equity balance at the same General Shareholders' Meeting which will resolve on the approval of the Transaction.

Without prejudice to the accounting loss generated as a result of the execution of the Share Purchase Agreement, the Board of Directors considers that, within the current economic context of the Portuguese media sector and the Company's corporate situation, the Transaction and the price to be received by PRISA are beneficial to PRISA's corporate interests, as it entails a measure which will help to improve the Company's financial situation and commitments, in addition to some others.

Taking these reasons into consideration, the Board of Directors recommends the approval of the Transaction by the Company's General Shareholders' Meeting.

#### **V. Proposed resolution submitted to approval by the Extraordinary General Shareholders' Meeting**

Based in the foregoing, the following proposed resolution is submitted to the approval of the Extraordinary General Shareholders' Meeting:

*“On July 13, 2017, Promotora de Informaciones, S.A. (as Seller) entered into a share purchase agreement with MEO – Serviços de Comunicações e Multimedia, S.A. (as Purchaser) for 100% of the shares into which Vertix, SGPS, S.A.'s capital is divided, which entails the indirect transfer of 94.69% of the share capital of Grupo Media Capital, SGPS, S.A., a company listed on the regulated market of Euronext Lisbon – Sociedade Gestora de Mercados Regulamentados, S.A. Such share purchase agreement is subject to the fulfilment of certain conditions precedent, including its approval by the General Shareholders' Meeting of Promotora de Informaciones, S.A.*

*The main terms and conditions of the transaction have been detailed in the report issued by the Board of Directors on September 29, 2017, which has been made available to the shareholders as from the date of publication of the call notice for the General Shareholders' Meeting.*

*To the effects of art. 160.f) of the Capital Companies Act, as well as to comply with the mentioned condition precedent and make the share purchase agreement effective once the fulfilment of other conditions precedent are verified, the sale by*

*Promotora de Informaciones, S.A. of 100% of the share capital of Vertex, SGPS, S.A. to MEO – Serviços de Comunicações e Multimedia, S.A. is hereby approved, delegating to the Board of Directors all those authorities required or expedient for the execution of the transaction”.*

In Madrid, on September 29, 2017