



**REPORT ISSUED BY THE BOARD OF DIRECTORS OF PROMOTORA DE INFORMACIONES, S.A. ON PROPOSED RESOLUTION CONSISTING OF THE SHARE CAPITAL REDUCTION IN THE AMOUNT OF 7,050,236.22, TO BE CARRIED OUT THROUGH THE REDUCTION OF THE FACE VALUE OF COMPANY'S SHARES BY EUR 0.09 TO EUR 0.94 PER SHARE, IN ORDER TO INCREASE THE LEGAL RESERVE, INCLUDED IN ITEM 4.3 OF THE EXTRAORDINARY GENERAL SHAREHOLDERS MEETING'S AGENDA CALLED TO BE HELD ON OCTOBER 30, 2017 AND OCTOBER 31, 2017, AT FIRST AND SECOND CALL, RESPECTIVELY.**

### **I. Purpose of the Report:**

The Board of Directors of PROMOTORA DE INFORMACIONES, S.A. ("**PRISA**" or the "**Company**") prepares this report to explain, in compliance with the provisions set forth in articles 286 and 318.1 of the Spanish Companies Act, the proposed resolution consisting of the share capital reduction in the amount of EUR 7,050,236.22, to be carried out through the reduction of the face value of Company's shares by EUR 0.09 to EUR 0.94 per share, in order to increase the legal reserve based on Company's balance sheet as at 31 August 2017, included as item 4.3 of the upcoming Extraordinary General Shareholders Meeting's agenda called for October 30, 2017 on first call or, if the necessary quorum is not achieved on that call, on October 31, 2017, in the same place, on second call. Similarly, the Board of Directors has resolved to submit to the General Shareholders Meeting the corresponding amendment of the article 6.1 of Company's Bylaws and the relevant delegation of powers.

### **II. Justification for the proposal:**

In order for the referred proposed resolution to be validly submitted for approval to the General Shareholders Meeting of the Company, it is required that the Board of Directors issue the present report, pursuant to the cited articles 286 and 318.1 of the Spanish Companies Act, and insofar as the resolution consisting of the share capital reduction results in the necessary amendment of the article 6.1, on the share capital amount, of the Bylaws of the Company. As such, the present report covers the justification for the proposed resolution.

Similarly, article 287 of the Spanish Companies Act requires that the announcement of the call for the General Shareholders Meeting clearly state the items which are to be amended and the right of all shareholders to examine the entire text of the proposed amendment and the related report. Shareholders may also request the free delivery or submission of such documents.

In light of Company's balance sheet as at 31 August 2017, the Board of Directors resolves to submit a proposal to the General Shareholders Meeting consisting of the share capital reduction aimed at increasing Company's legal reserve account, which would be reduced to zero in the event that Item 4.1 of the General Shareholders Meeting's agenda is approved.

To this end, it is hereby stated that this share capital reduction is based on Company's individual balance sheet as at 31 August 2017, whose approval is submitted to the General Shareholders Meeting under the Third item of the agenda. This balance sheet has been prepared by the Board of Directors of the Company at the meeting held on 29 September 2017 and verified by the Company's statutory auditor, namely, Deloitte, S.L., as at the same date. It is important to also note that the mentioned balance sheet reflects the impact derived from Prisa's sale of the total shareholding in Grupo Media Capital SGPS, S.A.

Pursuant to the cited balance sheet, the "negative results of prior periods" account amounts to EUR-2.201.523.638,56. Once (i) the entirety of the existing voluntary reserves and the legal reserve (amounting to 1,584,081,405.58) are applied to offset losses accounted on the "negative results of prior periods" account, as proposed to the General Meeting under item 4.1 of the agenda; and (ii) the share capital is reduced by 154,321,837.26 in order to offset the "negative results of prior periods" account, as proposed to the General Meeting under item 4.2 of the agenda, such account shall amount to EUR -463,120,395.72, while the share capital and total equity of the Company shall amount to EUR 80,686,036.74 and EUR 49,875,167.39, respectively

In this vein, in order to restore and strengthen Company's balance sheet and to enable that the equity be above the threshold of two-thirds of the share capital—a threshold under which the Company would be in the need to reduce the latter if a one-year term elapses without the net equity being recovered—the Board of Directors considers necessary that the Company carry out (i) the aforementioned offset of losses through the application of voluntary reserves and the legal reserve (as proposed under item 4.1 of General Shareholders Meeting's agenda); (ii) the aforementioned share capital reduction to partially offset the remaining losses (as proposed under item 4.2 of General Shareholders Meeting's agenda) and (iii) a share capital reduction to increase the legal reserve up to the limit permitted by the Law (subject of the present report).

It is hereby stated that, according to article 322.2 of the Spanish Companies Act, in case that these resolutions are approved, the Company will not have any voluntary reserves and the legal reserve, once the capital reductions proposed under items 4.2 and 4.3 of the agenda are carried out, do not exceed 10% of the share capital.

In view of the above, in order to restructure equity's items, it is proposed that the Company carry out a share capital reduction to increase the legal reserve by EUR 7,050,236.22 (that is, from the amount of EUR 80,686,036.74 resulting from the share capital reduction approved, as the case may be, under the Item 4.2 of General Shareholders Meeting's agenda, to EUR 73,635,800.52), through the reduction of the face value of each and every of the 78.335.958 shares of the Company currently outstanding by EUR 0.09, in accordance with article 328 of the Spanish Companies Act.

Following the execution of the proposed share capital reduction, the losses of the Company registered in the “negative results of prior periods” account, shall amount to EUR 7,050,236.22.

The Board of Directors proposes to the General Shareholders Meeting that the share capital reduction—to be carried out through the reduction of the face value of the shares—and the corresponding amendment of the Bylaws be effective as from the same day as the General Shareholder Meeting approving such resolutions is held. For this purpose, it is noted that, pursuant to article 335.b) of the Spanish Companies Act, creditors have no right of opposition to this share capital reduction. As a result, proposed resolution referred to in the present report would be immediately effective by simple decision of the General Meeting, if approved (without prejudice to the formalization actions that may be required).

Likewise, it is proposed to amend article 6.1 of the Articles of Association of the Company, which will read as stated in the proposed resolution transcribed in section III below, in order to reflect the resulting amount of Company’s share capital and of the face value of the shares comprising the former.

Finally, it is resolved to empower the Board of Directors, with express powers of substitution, to carry out such actions, and to execute such documents, as may be necessary for the resolution referred to in this report to become fully effective

The effectiveness of the resolution consisting of the share capital reduction to which the present report is related shall become subject to the condition precedent consisting of the approval of the resolutions included in Items 4.1 and 4.2 of General Shareholders Meeting’s agenda.

### **III. Proposed resolution submitted for approval of the General Shareholders Meetings:**

**“Share capital and reserves reductions aimed at adapting Company’s equity structure.**

**4.3. Reduction of the share capital by an amount of EUR 7,050,236.22 to increase the legal reserves account, by decreasing the par value of the shares by EUR 0.09, to EUR 0.94 per share, based on Company’s balance sheet as at 31 August 2017. Amendment of article 6.1 of the Articles of Association. Delegation of powers.**

#### **I. Share capital reduction**

Following (i) the offset of losses carried out in accordance with item 4.1 above under which all of the voluntary reserves and the legal reserve have been applied to offset losses, as well as (ii) the share capital reduction to offset losses carried out in accordance with item 4.2 above, the General Meeting resolves to reduce the share capital in the amount of EUR 7,050,236.22, that is, from the current amount of EUR 80,686,036.74 to EUR 73,635,800.52, through the reduction of the par value of each of the 78,335,958 ordinary voting shares comprising Company’s outstanding share capital in the amount of EUR 0.09, from the current amount of one EUR 1.03 per share to EUR 0.94 per share.

The purpose of the share capital reduction is to increase Company's legal reserves, without prejudice to the provisions set forth below regarding the unavailability of the amount by which the share capital has been reduced to increase the legal reserve.

The share capital reduction is carried out through the reduction of the par value of all of the outstanding shares of the Company representing its share capital, currently amounting to EUR 1.03, to EUR 0.94 per share. Therefore, the par value of each share is reduced by EUR 0.09, while the total amount of the share capital reduction reaches EUR 7,050,236.22.

The adoption of this resolution shall equally affect all of the Company's shares comprising its share capital.

In accordance with the provisions set forth in article 323 of the Spanish Companies Act, this share capital reduction is based upon Company's individual balance sheet as at 31 August 2017, approved by the General Meeting under the First item of the agenda, and submitted to verification of the Company's statutory auditor, namely, Deloitte, S.L., as reflected in the audit report. The aforesaid balance sheet and audit report are to be attached to the public deed of share capital decrease.

By virtue of article 335.a) of the Spanish Companies Act the creditors have no right of opposition to this reduction of capital. As a result, the reduction will be immediately effective by simple decision of the General Meeting, without prejudice to the provisions stated below regarding the condition precedent to which the resolution is subject.

The resulting amount of the legal reserve does not exceed the 10% of the Company's share capital.

## II. Amendment of article 6.1 of the Articles of Association related to the share capital

To amend article 6.1 of the Articles of Association, that will hereinafter read as follows:

*“Article 6.- Share Capital.*

*1. The Share Capital amounts to EUR SEVENTY-THREE MILLION, SIX HUNDRED THIRTY-FIVE, EIGHT HUNDRED WITH FIFTY-TWO CENTS (€73,635,800.52) and it is represented by: seventy-eight million, three hundred thirty-five thousand, nine hundred fifty-eight (78,335,958) ordinary shares of the same class and series, with a face value of EUR NINETY-FOUR CENTS (€0.94) each and correlatively numbered from 1 to 78.335.958.”*

### III. Delegation of powers

Notwithstanding the specific delegations of powers comprised in separate items of the agenda (which are to be understood to have been granted with express powers to in turn delegate said powers to the bodies and persons specified herein), it is resolved to empower the Board of Directors, as broadly as required by law, with express powers to be substituted by the Chairman, the Chief Executive Officer, one or more directors, and the Secretary, so that any of them interchangeably may implement this resolution and, in particular, without limitation, being empowered as follows:

- (i) To expand and develop this resolution by setting the terms and conditions of the share capital reduction in respect of all matters not covered herein.
- (ii) To carry out all actions necessary in order to comply with the requirements set forth in the Spanish Companies Act and other applicable rules, the consolidated text of the Spanish Securities Market Act, the Royal Decree 878/2015, of October 2, on clearing, settlement and registration of securities represented in book-entry form, on the legal framework of central depositaries and central counterparties, and on the transparency requirements for securities admitted to trading on a secondary market (Real Decreto 878/2015, de 2 de octubre, sobre compensación, liquidación y registro de valores negociables representados mediante anotaciones en cuenta, sobre el régimen jurídico de los depositarios centrales de valores y de las entidades de contrapartida central y sobre requisitos de transparencia de los emisores de valores admitidos a negociación en un mercado secundario oficial) and other applicable rules, including the publication of any mandatory notices.
- (iii) To carry out all actions and take all the steps necessary to obtain the consents and approvals required for this resolution to become fully effective, including, as the case may be, the consent of Company's bondholders' syndicates' approval in conformity with the article 411 of the Spanish Companies Act.
- (iv) To carry out on behalf of the Company any action, make any statement or take any step that may be required before the National Securities Market Commission (the "CNMV"), Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.U. (IBERCLEAR), the Governing Bodies of the Stock Markets, the Securities Clearing and Settlement Service and any other agency or entity or public or private Registry, either Spanish or foreign, in connection with the share capital reduction covered by this resolution and, in particular, effective from the beginning of the trading session determined by the latter, and after the public deed of share capital reduction has been executed and registered with the Commercial Registry, in order for the 78.335.958 shares of the Company with a par value of EUR 1.03 each currently outstanding to be excluded from trading, and the same number of shares with a par value of EUR 0.94 to be subsequently admitted to listing in the Barcelona, Bilbao, Madrid and Valencia Stock Exchanges for trading through the Automated Quotation System (*Sistema de Interconexión Bursátil (Mercado Continuo)*).
- (v) To amend the article of the Articles of Association corresponding to the share capital, so as to adapt it to the new share capital figure.

- (vi) To draft and publish such notices as may be necessary or appropriate in connection to this share capital reduction.
- (vii) To execute on behalf of the Company such public or private documents as may be necessary or appropriate to carry out the share capital reduction and, in general, to carry out such actions as may be necessary for this resolution to become fully effective.
- (viii) To correct, clarify, interpret, specify or supplement the resolutions adopted by the General Shareholders Meeting, or those appearing in such deeds or documents as may be executed in implementation thereof and, in particular, such defects, omissions or errors, substantive or formal, as may prevent entry of the resolutions and the consequences thereof in the Commercial Registry, the Official Registries of the CNMV, or any others.
- (ix) In general, to carry out such actions as may be necessary or appropriate in order for the share capital reduction to become fully effective.

#### IV. Condition precedent

The effectiveness of this resolution is subject to the resolutions 4.1 and 4.2 above being approved”.

Madrid, on 29 September 2017