Promotora de Informaciones, S.A. (Prisa) and Subsidiaries

Interim Condensed Consolidated Financial Statements and Interim Directors' Report for the six month period ended June 30, 2019, together with the Report of limited review.

Translation of a report originally issued in Spanish. In the event of a discrepancy, the Spanish- language version prevails.

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REPORT ON LIMITED REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of Promotora de Informaciones, S.A. at the request of the Board of Directors:

Report on the interim condensed consolidated financial statements

Introduction

We have performed a limited review of the accompanying interim condensed consolidated financial statements ("the interim financial statements") of Promotora de Informaciones, S.A. ("the Parent") and Subsidiaries ("the Group"), which comprise the condensed consolidated balance sheet as at June 30, 2019 and the condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity, condensed consolidated cash flows statement and explanatory notes thereto for the six-month period then ended. The Parent's directors are responsible for the preparation of these interim financial statements in accordance with the requirements of International Accounting Standard (IAS) 34, Interim Financial Reporting, as adopted by the European Union, for the preparation of interim condensed financial information, in conformity with Article 12 of Royal Decree 1362/2007. Our responsibility is to express a conclusion on these interim financial statements based on our limited review.

Scope of the Review

Our limited review was performed in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A limited review of interim financial statements consists of making inquiries, primarily of the persons responsible for financial and accounting matters, and applying certain analytical and other review procedures. A limited review is substantially less in scope than an audit conducted in accordance with the audit regulations in force in Spain and, consequently, it does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the accompanying interim financial statements.

Conclusion

As a result of our limited review, which under no circumstances may be considered an audit of financial statements, nothing has come to our attention that might cause us to believe that the accompanying interim financial statements for the six-month period ended June 30, 2019 have not been prepared, in all material respects, in accordance with the requirements of International Accounting Standard (IAS) 34, Interim Financial Reporting, as adopted by the European Union, pursuant to Article 12 of Royal Decree 1362/2007, for the preparation of interim condensed financial statements.

Emphasis of matter paragraph

We draw attention to Note 1 to the accompanying interim condensed consolidated financial statements, which indicates that the aforementioned accompanying interim financial statements do not include all the information that would be required for a complete set of consolidated financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union and, therefore, the accompanying interim financial statements should be read in conjunction with the Group's consolidated financial statements for the year ended December 31, 2018. This matter does not affect our conclusion.

Report on other legal and regulatory requirements

The accompanying interim consolidated directors' report for the six-month period ended June 30, 2019 contains the explanations which the Parent's directors consider appropriate about the significant events that took place in that period and their effect on the interim financial statements presented, of which it does not form part, and about the information required pursuant to Article 15 of Royal Decree 1362/2007. We have checked that the accounting information in the interim consolidated directors' report is consistent with that contained in the interim financial statements for the six-month period ended June 30, 2019. Our work was confined to checking the interim consolidated directors' report with the aforementioned scope, and did not include a review of any information other than that drawn from the accounting records of Promotora de Informaciones, S.A. and Subsidiaries.

Other matters paragraph

This report was prepared at the request of the Board of Directors in relation to the publication of the half-yearly financial report required by Article 119 of the Consolidated Text of the Securities Market Act, approved by Royal Legislative Decree 4/2015 of October 23 and implemented by Royal Decree 1362/2007 of October 19.

DELOITTE, S.L.

Jesús Mota Robledo

July 30, 2019

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

Condensed Consolidated Financial Statements together with Consolidated Directors' Report for the six months ended June 30, 2019

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

Condensed Consolidated Financial Statements for the six months ended June 30, 2019

PROMOTORA DE INFORMACIONES, S.A. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEET AT JUNE 30, 2019

(Thousands of Euros)

ASSETS	Notes	06/30/19 (*)	12/31/18
A) NON-CURRENT ASSETS		**962,421**	**813,269**
I. PROPERTY, PLANT AND EQUIPMENT	3	216,008	87,689
II. GOODWILL	4	411,658	408,848
III. INTANGIBLE ASSETS	4	125,767	111,244
IV. NON-CURRENT FINANCIAL ASSETS	5	25,705	24,611
V. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD	6	45,673	43,077
VI. DEFERRED TAX ASSETS	7	135,309	135,363
VII. OTHER NON-CURRENT ASSETS		2,301	2,437
B) CURRENT ASSETS		**628,415**	**847,453**
I. INVENTORIES		149,676	150,345
II. TRADE AND OTHER RECEIVABLES			
1. Trade receivables for sales and services		345,484	370,021
2. Receivable from associates		3,153	3,902
3. Receivable from public authorities		41,502	37,903
4. Other receivables		28,434	25,289
5. Allowances		(68,522)	(67,025)
		350,051	370,090
III. CURRENT FINANCIAL ASSETS	5	19,335	24,936
IV. CASH AND CASH EQUIVALENTS		100,236	295,093
V. ASSETS CLASSIFIED AS HELD FOR SALE		9,117	6,989
TOTAL ASSETS		**1,590,836**	**1,660,722**

EQUITY AND LIABILITIES	Notes	06/30/19 (*)	12/31/18
A) EQUITY	**8**	**(281,415)**	**(235,809)**
I. SHARE CAPITAL		666,131	524,902
II. OTHER RESERVES		(343,404)	(507,206)
III. ACCUMULATED PROFIT		(623,399)	(284,380)
- From prior years		(571,852)	(15,033)
- For the year: Profit attributable to the Parent		(51,547)	(269,347)
IV. TREASURY SHARES		(2,337)	(2,856)
V. TRANSLATION DIFFERENCES		(40,377)	(40,918)
VI. NON CONTROLLING INTEREST		61,971	74,649
B) NON-CURRENT LIABILITIES		**1,344,097**	**1,325,373**
I. NON-CURRENT BANK BORROWINGS	9	1,176,082	1,149,661
II. NON-CURRENT FINANCIAL LIABILITIES	9	120,666	125,703
III. DEFERRED TAX LIABILITIES	7	17,908	18,612
IV. LONG-TERM PROVISIONS	10	26,911	28,567
V. OTHER NON-CURRENT LIABILITIES		2,530	2,830
C) CURRENT LIABILITIES		**528,154**	**571,158**
I. TRADE PAYABLES		225,626	270,982
II. PAYABLE TO ASSOCIATES		753	2,151
III. OTHER NON-TRADE PAYABLES		44,376	55,601
IV. CURRENT BANK BORROWINGS	9	103,431	76,121
V. CURRENT FINANCIAL LIABILITIES	9	20,300	58,643
VI. PAYABLE TO PUBLIC AUTHORITIES		45,118	61,811
VII. CURRENT PROVISIONS	11	55,719	10,797
VIII. OTHER CURRENT LIABILITIES		26,573	32,129
IX. LIABILITIES ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE		**6,258**	2,923
TOTAL EQUITY AND LIABILITIES		**1,590,836**	**1,660,722**

(*) Non audited financial statements

The accompanying Notes 1 to 19 are an integral part of the Condensed Consolidated Balance Sheet at June 30, 2019.

PROMOTORA DE INFORMACIONES, S.A. AND SUBSIDIARIES

CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2019

(Thousands of Euros)

	Notes	06/30/2019 (*)	06/30/2018 (*)
Revenues	13	564,017	609,815
Other income		7,922	19,269
OPERATING INCOME	11	571,939	629,084
Cost of materials used		(78,310)	(86,497)
Staff costs		(191,895)	(197,309)
Depreciation and amortisation charge	3-4	(45,100)	(29,695)
Outside services	11	(250,262)	(230,698)
Variation in operating allowances		(2,174)	(3,972)
Other expenses		(1,303)	(405)
OPERATING EXPENSES		(569,044)	(548,576)
PROFIT FROM OPERATIONS		2,895	80,508
Finance income		1,421	1,588
Finance costs		(36,715)	(69,540)
Fair value of financial instruments		(2,667)	25,546
Exchange differences (net)		(2,881)	(1,716)
FINANCIAL LOSS	12	(40,842)	(44,122)
Result of companies accounted for using the equity method		596	2,439
Loss from other investments			-
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		(37,351)	38,825
Income tax		(15,687)	(22,800)
PROFIT FROM CONTINUING OPERATIONS		(53,038)	16,025
Loss after tax from discontinued operations		733	-
CONSOLIDATED PROFIT FOR THE PERIOD		(52,305)	16,025
Profit attributable to non controlling interests		758	(15,623)
PROFIT ATTRIBUTABLE TO THE PARENT		(51,547)	402
BASIC EARNINGS PER SHARE (in euros)		(0.08)	0.00
DILUTED EARNINGS PER SHARE (in euros)		(0.08)	0.00

(*) Non audited financial statements

The accompanying Notes 1 to 19 are an integral part of the Condensed Consolidated Income Statement for the six months ended June 30, 2019

PROMOTORA DE INFORMACIONES, S.A. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED JUNE 30, 2019

(Thousands of Euros)

	06/30/2019 (*)	06/30/2018 (*)
CONSOLIDATED PROFIT FOR THE YEAR	**(52,305)**	**16,025**
Items that are not reclassified subsequently to result of the period	**(7,590)**	**(17,132)**
Income and expenses that are not reclassifed to result of the period	**(7,590)**	**(17,132)**
Items that may be reclassified subsequently to profit or loss	**6,497**	**(19,654)**
Translation differences	**5,172**	**(19,796)**
Available-for-sale financial assets	**100**	**(228)**
Profit/(Loss) for valuation	100	(228)
Tax effect	**(25)**	**57**
Entities accounted for using the equity method	**1,250**	**313**
TOTAL RECOGNIZED INCOME AND EXPENSE	**(53,398)**	**(20,761)**
Attributable to the Parent	(53,524)	(31,819)
Attributable to non-controlling interests	126	11,058

(*) Non audited financial statements

The accompanying Notes 1 to 19 are an integral part of the Condensed Consolidated Statement of Comprehensive Income for the six months ended June 30, 2019.

PROMOTORA DE INFORMACIONES, S.A. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED JUNE 30, 2019
(Thousands of Euros)

	Share Capital	Share Premium	Reserves	Reserves for First-Time Application of IFRSs	Prior Years' Accumulated Profit	Treasury Shares	Translation Differences	Accumulated Profit for the Year	Equity Attributable to the Parent	Non Controlling Interests	Total Equity
Balance at 31 December 2017	**83,498**	**95,002**	**(512,124)**	**(72,659)**	**(16,657)**	**(694)**	**(37,716)**	**(102,564)**	**(563,914)**	**79,050**	**(484,864)**
Capital increases	441,189	122,031							563,220		563,220
Treasury share transactions											
- Delivery of treasury shares						81			81		81
- Purchase of treasury shares						(2,709)			(2,709)		(2,709)
- Reserves for treasury shares			(700)			700			-		-
Distribution of 2017 result											
- Reserves			(131,598)		29,034			102,564	-		-
Income and expense recognised in equity											
- Translation differences					(3,979)		(10,939)		(14,918)	(4,565)	(19,483)
- Profit for 2018								402	402	15,623	16,025
- Measurement of financial instruments			(171)						(171)		(171)
- Others		(17,132)							(17,132)		(17,132)
Other			7,955		(15,801)				(7,846)	(2,709)	(10,555)
Changes in non controlling interest											
- Dividends recognized during the Year										(12,563)	(12,563)
- Due to changes in scope of consolidation										(21)	(21)
Balance at June 30, 2018 (*)	**524,687**	**199,901**	**(636,638)**	**(72,659)**	**(7,403)**	**(2,622)**	**(48,655)**	**402**	**(42,987)**	**74,815**	**31,828**
Balance at 31 December 2018	**524,902**	**201,512**	**(636,059)**	**(72,659)**	**(15,033)**	**(2,856)**	**(40,918)**	**(269,347)**	**(310,458)**	**74,649**	**(235,809)**
Capital increases	141,229	58,595							199,824		199,824
Treasury share transactions											
- Delivery of treasury shares									-		-
- Purchase of treasury shares									-		-
- Reserves for treasury shares			(519)			519			-		-
Distribution of 2018 result											
- Legal reserve			11,020						11,020		11,020
- Reserves			99,181		(379,548)			269,347	(11,020)		(11,020)
Income and expense recognised in equity											
- Translation differences					(2,833)		8,371		5,538	884	6,422
- Profit for 2019								(51,547)	(51,547)	(758)	(52,305)
- Measurement of financial instruments			75						75		75
- Other		(7,590)							(7,590)		(7,590)
Other			3,040		(174,438)		(7,830)		(179,228)	24	(179,204)
Changes in non controlling interest											
- Dividends recognized during the Year										(9,642)	(9,642)
- Due to changes in percentage of ownership										(3,186)	(3,186)
Balance at June 30, 2019 (*)	**666,131**	**252,517**	**(523,262)**	**(72,659)**	**(571,852)**	**(2,337)**	**(40,377)**	**(51,547)**	**(343,386)**	**61,971**	**(281,415)**

(*) Non audited financial statements

The accompanying Notes 1 to 19 are an integral part of the Condensed Consolidated Statement of Changes in Equity for the six months ended June 30, 2019.

PROMOTORA DE INFORMACIONES, S.A. AND SUBSIDIARIES

CONDENSED CONSOLIDATED CASH FLOWS STATEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2019

(Thousands of Euros)

	06/30/2019 (*)	06/30/2018 (*)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	**(37,351)**	**38,825**
Depreciation and amortisation charge and provisions	48,563	34,050
Changes in working capital	**(17,538)**	**(34,268)**
Inventories	669	(217)
Accounts receivable	19,950	52,214
Accounts payable	(38,157)	(86,265)
Income tax recovered (paid)	(20,755)	(15,414)
Other profit adjustments	**39,885**	**24,307**
Financial results	40,842	44,122
Gains and losses on disposal of assets	-	(13,480)
Other adjustments	(957)	(6,335)
CASH FLOWS FROM OPERATING ACTIVITIES	**12,804**	**47,500**
Recurrent investments	**(33,830)**	**(26,445)**
Investments in intangible assets	(24,136)	(20,366)
Investments in property, plant and equipment	(9,694)	(6,079)
Investments in non-current financial assets	(349,504)	(5,049)
Proceeds from disposals	4,712	21,167
Investments in non-current financial assets	34	322
CASH FLOWS FROM INVESTING ACTIVITIES	**(378,588)**	**(10,005)**
Proceeds and payments relating to equity instruments	199,471	560,092
Proceeds relating to financial liability instruments	77,392	30,943
Payments relating to financial liability instruments	(35,010)	(537,139)
Dividends and returns on other equity instruments paid	(33,372)	(23,067)
Interest paid	(19,971)	(17,552)
Other cash flow from financing activities	(19,069)	(6,897)
CASH FLOWS FROM FINANCING ACTIVITIES	**169,441**	**6,380**
Effect of foreign exchange rate changes	1,486	(1,581)
CHANGE IN CASH FLOWS FROM CONTINUING OPERATIONS	**(194,857)**	**42,294**
CHANGE IN CASH FLOWS IN THE YEAR	**(194,857)**	**42,294**
Cash and cash equivalents at beginning of year	**295,093**	**217,209**
- Cash	250,360	191,099
- Cash equivalents	44,733	26,110
Cash and cash equivalents at end of period	**100,236**	**259,503**
- Cash	79,602	245,319
- Cash equivalents	20,634	14,184

(*) Non audited financial statements.

The accompanying Notes 1 to 19 are an integral part of the Condensed Consolidated Cash Flow Statement for the six months ended June 30, 2019.

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

Notes to the Condensed Consolidated Financial Statements for the six months ended June 30, 2019

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

PROMOTORA DE INFORMACIONES, S.A. (PRISA)

AND SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2019

(1) BASIS OF PRESENTATION OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2019

The condensed consolidated financial statements of Grupo Prisa for the first half of 2019 have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union, in conformity with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council, taking into account all mandatory accounting policies and rules and measurement bases with a material effect, as well as with the Commercial Code, the obligatory legislation approved by the Institute of Accounting and Auditors of Accounts, and other applicable Spanish legislation.

The condensed consolidated financial statements for the six months ended June 30, 2019 and the notes have been prepared by the Company's directors are presented in accordance with IAS 34 *Interim Financial Reporting* in compliance with RD 1362/2007, of October 19, implementing the Spanish Securities Market Law 24/1988, of July 28, as it relates to the need for transparent information on issuers whose securities are admitted to trading on an official secondary market.

These interim condensed consolidated financial statements were approved by the Prisa´s Directors on July 30, 2019.

These consolidated financial statements are presented in thousands of euros.

In accordance with IAS 34, the interim financial reporting is prepared in order to update the latest approved consolidated financial statements, highlighting the new activities, events and circumstances that have taken place during the first six month of the year and avoiding the repetition of information previously reported in the consolidated financial statements for 2018. Therefore, the interim condensed consolidated financial statements 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 condensed consolidated financial statements, they must be read in conjunction with the consolidated financial statements for 2018.

The IFRSs are applied in the preparation of the consolidated financial information of the Group. The financial statements of individual companies that are part of the Group are prepared and presented in accordance with accounting standards in each country.

In accordance with IAS 8, the accounting principles and measurement bases applied by the Group are applied uniformly in all transactions, events and concepts, in the first half of 2019 and 2018.

The condensed consolidated financial statements for the six months ended June 30, 2019 have been subjected to a limited review by the external auditor of the company.

a) Evolution of the financial structure of the Group

During 2017, 2018 and in the first half of 2019, the Administrators of Prisa (the Company) took a number of measures to strengthen the Group's financial and asset structure, such as asset sale operations, capital increases and refinancing of its debt.

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

On January 22, 2018, the Company signed with all the financial creditors of the *Override Agreement* (agreement to refinance the Group's debt signed in December 2013) an agreement to refinance and modify the terms of Prisa's current financial debt (the Refinancing). On June 29, 2018, the Refinancing came into effect, once the agreements reached with all of its creditors were concluded. On this same date, and as one of the preconditions for the agreement to come into force, the Company cancelled a debt amounting EUR 480,000 thousand with the proceeds from the cash capital increase described above (EUR 450,000 thousand) and cash available from the Company (EUR 30,000 thousand). The basic terms of the Refinancing agreement include the extension of the debt maturity date to November and December 2022 and no redemption obligation until December 2020. With the entry into force of the Refinancing agreement, the Group's financial debt has become a long-term maturity which has led to an improvement in the working capital and the Group's financial structure (*see note 9*).

On March 20, 2019, the Company agreed to carry out a capital increase amounting to EUR 199,824 thousand, which was fully subscribed in April 2019 (*see note 8*). This capital increase has been used to partially fund the acquisition of 25% of the share capital of Grupo Santillana Educación Global, S.L. *(see note 2).*

The Directors have applied the going concern principle.

b) New standards which have become effective

IFRS 16 "*Leases*" has replaced IAS 17 and associated interpretations as of January 1, 2019 (transition date). The main novelty is that all leases (with some limited exceptions) have been recorded in the balance sheet with an impact similar to that of the previous financial leases, there being an amortization expense for the right-of-use asset and a financial expense for the financial update of the liability arising from the lease. The standard does not introduce significant changes for the accounting of lease contracts by the lessor.

The Group has opted to apply IFRS 16 on the transition date through the modified retrospective method, without restating the comparative information. In this sense, the following criteria have been applied:

- It has been decided to measure the right-of-use asset on the date of transition for the amount equivalent to the financial liability, measuring the latter as the present value of the remaining lease payments, discounted by the discount rate.

- For the discount rate, the incremental rate of the lessee's debt has been applied, considering, among other factors, economic conditions within the country and the currency of the contract.

- It has been decided not to recognise in the balance sheet the liability and right-of-use asset corresponding to those contracts for the lease of assets of low value.

- The initial direct costs of the initial valuation of the asset on the transition date have been excluded.

For those leases previously classified as finance leases in accordance with IAS 17, the amount of the right-of-use asset and that of the financial liability on the transition date has been the equivalent to the carrying amount of the asset and the liability recognised on December 31, 2018.

The impact of the entry into force of IFRS 16 has led to the recognition of a financial liability in the amount of EUR 155.2 million. The balancing entry has been a tangible and intangible right-of-use asset, generating additional annual amortization of some EUR 29 million, an annual financial expense of approximately EUR 11 million in 2019 and a reduction in operating expenses for rental registered on the basis of IAS 17 of approximately EUR 35 million per year *(see notes 3,4,9 and 12)*.

The cash payments of the financial lease liability are included within cash flows from financing activities of the accompanying condensed consolidated cash flow statement.

Below is the impact of the first application of IFRS 16 in the consolidated financial statements as of January 1, 2019 and the impact of this same standard as of June 30, 2019:

	Thousand of euros	
	01/01/2019 (*)	06/30/2019
Property, plant and equipment	**152,788**	**141,952**
Land and buildings	133,363	123,568
Plant and machinery	1,655	2,717
Other items of property, plant and equipment	17,770	15,667
Intangible assets	**9,118**	**8,889**
Other intangible assets (administrative concessions)	9,118	8,889
Assets classified as held for sale	**3,794**	**2,476**
TOTAL ASSETS	**165,700**	**153,317**
Non- current financial liabilities for leases	**125,779**	**120,407**
Current financial liabilities for leases	**26,732**	**20,256**
Non- current bank borrowings for leases	**5,225**	**6,697**
Current bank borrowings for leases	**6,463**	**6,393**
Liabilities associated with assets classified as held for sale	**2,641**	**2,405**
TOTAL LIABILITIES	**166,840**	**156,158**

(*) The Group held lease contracts classified as finance leases prior to the entry into force of IFRS 16. The amount of the right-of-use asset and the financial liability (bank borrowings) relating to such contracts was EUR 10,548 thousand and EUR 11,688 thousand, respectively, at January 1, 2019, as per the carrying value at December 31, 2018.

The application of the rest of the amendments and interpretations applicable from January 1, 2019 did not have a significant impact on the Group's condensed interim 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 condensed consolidated financial statements that the Group has failed to apply.

c) 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 condensed interim consolidated financial statements. The accounting policies and standards and measurement bases are explained in notes 2 and 4 to the consolidated financial statements for 2018.

In the condensed interim consolidated financial statements, estimates were occasionally made by management of the Group to quantify certain of the assets, liabilities, income, expenses and obligations reported herein. These estimates, based on the best information available, refer mainly to:

1. Income tax expense, which in accordance with IAS 34 is recognized in each interim period based on the best estimate of the weighted average annual income tax rate the Group expects for the full year.

2. The measurement of assets and goodwill to determine the possible existence of impairment losses.
3. The useful life of property, plant and equipment and intangible assets.
4. The assumptions used to calculate the fair value of financial instruments.
5. The likelihood and amount of undetermined or contingent liabilities.
6. Provisions for unissued and outstanding invoices.
7. Estimated sales returns received after the end of the reporting period.
8. The estimates made for the determination of future commitments.
9. The recoverability of deferred tax assets.
10. Determination of the lease term in contracts with renewal option.

Although these estimates were made on the basis of the best information available to date on the events analysed, events that take place in the future might make it necessary to change these estimates (upwards or downwards) at the end of 2019 or future reporting periods. The effects of changes in accounting estimates are applied prospectively in profit and loss in the periods affected by the change.

In the six months ended June 30, 2019, there were no significant changes in the estimates made at the end of 2018.

d) Comparison of the information

The information contained in these condensed consolidated financial statements for the six months ended June 30, 2018 is presented only for comparison purposes with the information relating to the six months ended June 30, 2019.

e) Seasonality of the Group

Given the different sources of revenues and activities carried out by Group companies, operations are not considered to be highly cyclical or seasonal. The evolution of the educational business results throughout the year depends on the timing of the educational campaigns in the different countries where it operates. However, this effect is mitigated by the performance of the result from other sources of revenues such as advertising.

f) Materiality

In accordance with IAS 34 the Group assessed materiality in relation to the condensed interim consolidated financial statements in determining the information to disclose in these explanatory notes regarding the different line items in the financial statements.

g) Correction of errors

No errors were corrected in the condensed consolidated financial statements for the six months ended June 30, 2019.

(2) CHANGES IN THE GROUP STRUCTURE

The most significant changes in the scope of consolidation in the first half of 2019 were as follows:

Subsidiaries

In February 2019, GLR Chile, Ltda, acquired 50% of Multimedios GLP Chile SPA, thus acquiring 100% of the company. Following the deal, Multimedios GLP Chile SPA is now reported using the full integration method and no longer under the equity method.

In May 2019, the merger by absorption of Sogecable Música, S.L. with Sociedad Española de Radiodifusión, S.L. was produced.

Associates

In June 2019, Prisa Brand Solution, S.L.U. acquired 33.33% of Zana Investments 2018, S.L., this company is consolidated by the equity method.

Significant operations

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

In that same date, Prisa Activos Educativos, S.L. - a subsidiary wholly owned by Prisa - and DLJ entered into a sale and purchase agreement in relation to the quotas representing 25% of the share capital of Santillana. The price of the acquisition was established at a fixed amount of EUR 312.5 million. To finance this acquisition, Prisa provided a loan to Prisa Activos Educativos, S.L. for that amount, which was subsequently capitalized on June 1, 2019.

The acquisition was finally closed on April 12, 2019 after the mandatory authorization by the National Commission of Markets and Competition and the receipt of the capital increase funds (*see note 1a*).

This acquisition has led to a reduction in consolidated net equity attributable to the parent of EUR 181.6 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 the associated non-controlling interest balance amounting to EUR 3.2 million and, the deregistered of the financial liability for the amount of EUR 127.7 million, that accounted the obligation to pay a preferential dividend for a minimum annual amount of USD 25.8 million to DLJ, without significant impact on the accompanying condensed consolidated income statement, as there are hardly any difference between the financial liability recorded in books and the fair value thereof at the date of the transaction (calculated as the present value of the preferential annual dividends discounted at the interest rate applicable to instruments with similar credit characteristics).

The short-term liability corresponding to the payment obligation of the preferred dividend accrued during the financial year 2018 and accrued during 2019 up to the time of the transaction, in April 2019, amounting to EUR 29.5 million, has also been deregister as a result of the payment on that date *(see note 9).*

(3) PROPERTY, PLANT, AND EQUIPMENT

Additions to the Group's consolidated financial statements under "*Property, plant and equipment*" during the first half of 2019 totaled EUR 9,672 thousand, corresponding mainly to the investments made for Santillana in digital developments and learning systems (EUR 5,883 thousand), investment in technical equipment made for Prisa Radio in Colombia, Spain and Chile (EUR 1,096 thousand) and for Media Capital in audiovisual equipment (EUR 2,420 thousand).

As detailed in note 1b, the amount of the assets subject to IFRS 16 amounts to EUR 141,952 thousand as of June 30, 2019.

The expense of amortization of property, plant and equipment registered during the first half of 2019 amounts to EUR 24,257 thousand, of which EUR 14,824 thousand corresponding to the amortization of property, plant and equipment held under leases.

(4) GOODWILL AND INTANGIBLE ASSETS

Goodwill

The increase in "*Goodwill*" is due to the effect of changes in exchange rates on goodwill resulting from investments in Editora Moderna, Ltda. and Grupo Latino de Radiodifusión Chile, Ltda.

Intangible assets

Additions to the Group's condensed consolidated financial statements under "*Intangible assets*" during the first half of 2019 amounted to EUR 24,136 thousand and are derived mainly from prototypes of the education business (EUR 20,884 thousand).

As detailed in note 1b, the amount of the assets subject to IFRS 16 amounts to EUR 8,889 thousand as of June 30, 2019.

The expense of amortization of intangible assets registered during the first half of 2019 amounts to EUR 20,843 thousand, of which EUR 2,369 thousand corresponding to the amortization of intangible assets held under leases.

(5) FINANCIAL ASSETS

The detail of "*Non- current financial assets*" and "*Current financial assets*" is as follows:

	Thousands of euros					
	Non-current financial assets		Current financial assets		Total financial assets	
	06/30/19	12/31/18	06/30/19	12/31/18	06/30/19	12/31/18
Financial assets at fair value with changes in other comprehensive income	**678**	**577**	**-**	**-**	**678**	**577**
Financial assets at amortized cost	**25,027**	**24,034**	**19,335**	**24,936**	**44,362**	**48,970**
Loans and receivables	13,654	13,554	1,080	4,284	14,734	17,838
Other financial assets at amortized cost	11,373	10,480	18,255	20,652	29,628	31,132
Total	**25,705**	**24,611**	**19,335**	**24,936**	**45,040**	**49,547**

(6) INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Changes in "*Investments accounted for using the equity method*" in the accompanying condensed consolidated balance sheets, during the first half of 2019, is mainly due to the effect of exchange rate and results participation in Sistema Radiópolis, S.A. de C.V.

(7) TAX MATTERS

Deferred tax assets and liabilities-

There has been no significant change in the heading *"Deferred Tax Assets"*.

The net changes to "*Deferred Tax Liabilities*" in the amount of EUR 704 thousand mainly refer to the different accounting and tax recognition criteria for certain institutional sales made in Brazil and the different accounting and tax recognition criteria for the amortisation expenses of intangible assets in Colombia.

Tax Audits-

At the time of elaborating these notes, an Agreement has been issued that rectifies the proposed settlement contained in the certificate relating to corporate income tax for the years 2012 to 2015. As a result of these actions, a new certificate of disagreement has been issued at the date of authorisation for issue of these Notes, such certificate showing no amount payable and thus generating no significant negative impact on equity beyond that recognised in 2018.

At the time of elaborating these notes, the Company has filed economic-administrative appeal against the Notice of disagreement relating to corporate income tax for the years 2012 to 2015.

(8) EQUITY

Share capital

On January 1, 2019, the share capital of Prisa amounted to EUR 524,902 thousand, represented by 558,406,896 ordinary shares all of which belong to the same class and series, with a nominal value of EUR 0.94 each, fully paid up and have the same rights.

In April 2019 the Company has increased its share capital, with preemption rights, for an amount of EUR 141,229 thousand, through the issuance and subscription of 150,243,297 new ordinary shares at a nominal value of EUR 0.94 each, of the same class and series as the shares outstanding. The issue price of the shares was EUR 1.33 each (EUR 0.94 nominal value and EUR 0.39 share premium each).

Consequently, total effective amount of the capital increase, considering the nominal value of the total shares (EUR 141,229 thousand) and share premium (EUR 58,595 thousand), amounted to EUR 199,824 thousand

This capital increase has been executed under the delegation approved by the General Shareholders Meeting held on April 25, 2018.

On June 30, 2019, the share capital of Prisa amounts to EUR 666,131 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 0.94 euros, and have been fully paid up.

Share premium

As a result of the capital increase described above, the share premium increased in an amount of EUR 58,595 thousand. Expenses related with this capital increase have been accounted as a lower amount of the share premium and amounted to EUR 7,590 thousand.

The issue premium reserve at June 30, 2019 amounts to EUR 252,517 thousand and it is totally unrestricted.

Non-controlling interest

The detail, by company, of the non-controlling interest at June 30, 2019 and December 31, 2018 is as follows:

	Thousands of euros	
	06/30/2019	12/31/2018
Caracol, S.A.	8,394	8,300
Diario As, S.L.	11,235	11,945
GLR Chile, Ltda.	15,607	15,201
Grupo Santillana Educación Global, S.L. and subsidiaries	371	3,421
Grupo Media Capital, SGPS, S.A. and subsidiaries	8,451	8,139
Prisa Radio, S.L. and subsidiaries (Spain)	21,657	20,796
Other companies	(3,744)	6,847
Total	**61,971**	**74,649**

(9) FINANCIAL LIABILITIES

The detail 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	
	06/30/19	12/31/18	06/30/19	12/31/18	06/30/19	12/31/18
Bank borrowings	1,176,082	1,149,661	103,431	76,121	1,279,513	1,225,782
Financial liabilities by leases	120,407	-	20,256	-	140,663	-
Other financial liabilities	259	125,703	44	58,643	303	184,346
Total	**1,296,748**	**1,275,364**	**123,731**	**134,764**	**1,420,479**	**1,410,128**

Bank borrowings

The most significant balance under financial liabilities relates to bank borrowings, the detail of which at June 30, 2019 and December 31, 2018, in thousands of euros is as follows:

	06/30/19		12/31/18	
	Drawn-down amount maturing at short term	Drawn-down amount maturing at long term	Drawn-down amount maturing at short term	Drawn-down amount maturing at long term
Syndicated loan Prisa (Tranche 2)	-	956,512	-	956,512
Syndicated loan Prisa (Tranche 3)	-	161,080	-	161,080
Super Senior credit facility	-	36,500	-	-
Credit facilities, loans, finance leases and other	103,431	42,157	76,121	54,897
Fair value of financial instruments	-	(20,167)	-	(22,828)
Total	**103,431**	**1,176,082**	**76,121**	**1,149,661**

In accordance with IFRS 13, to determine the theoretical calculation of the fair value of the financial debt at June 30, 2019 we used the Euribor curve and the discount factor supplied by the bank and the actual credit risk arising from a report provided by an independent expert regarding the transactions made in the secondary debt market once the refinancing process is completed (level 2 variables, estimates based on other observable market methods). The fair value of the Tranche 2 and 3 of syndicated loan, of the super senior credit facility and of the accrued interest pending to be paid, according to this calculation, would amount to EUR 1,174,598 thousand at June 30, 2019 considering a -1.09% average discount over the real principal payment obligation to the creditor entities.

Refinancing-

On June 29, 2018, the Refinancing of Group´s debt came into effect, in this context, Prisa agreed to the renewal of its syndicated loan amounting to EUR 1,117,592 thousand which was structured in two sections with the following characteristics:

- Tranche 2 in amount of EUR 956,512 thousand with maturity November 2022.
- Tranche 3 in amount of EUR 161,080 thousand with maturity December 2022.
- The cost of the debt of Tranches 2 and 3 was referenced to the Euribor plus a negotiated margin, equal for both tranches.
- The payment schedule established two partial and obligatory debt repayments on December 31, 2020 and 2021 for EUR 15 and 25 million respectively, as well as additional partial amortisations in 2021 and 2022 conditioned on the cash generation of the Prisa Group.
- The financial creditors have agreed that Tranche 2 is preferred over Tranche 3.
- The package of debt guarantees was partially modified.

The Company's Refinancing agreement contemplates the mechanism of automatic conversion of Tranche 3 debt to Tranche 2 as the aforementioned Tranche 2 is reduced by forced or voluntary amortization debt.

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

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

The refinancing agreement also includes causes for early termination as is customary in this kind of agreement, including the acquisition of control of Prisa, acquisition being understood as by one or several persons together, with more than 30% of the capital with voting rights.

Other aspects of debt-

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

Personal guarantees

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

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

Guarantees

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

Part of Prisa's investment in Grupo Santillana Educación Global, S.L. (100% share capital), in Prisa Radio, S.A. (80% share capital) and Grupo Media Capital SGPS, S.A. (84.69% share capital) and the 100% of the investments (100% share capital) in Prisa Activos Educativos, S.L.U., Prisa Activos Radiofónicos, S.L.U., Prisa Noticias, S.LU., Prisaprint, S.L.U. and Prisa Gestión Financiera, S.L.U. was also pledged, thereby insuring Tranches 2 and 3.

Other aspects

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

Credit facilities

On June 29, 2018, and within the framework of Refinancing the debt, the Company established a Super Senior credit facility for a maximum amount of up to EUR 86.5 million, of which 50 million had the objective of financing the Company's operating needs. In April 2019, as a result of the acquisition of 25% of Santillana, the credit facility was increased by EUR 30 million, for a maximum amount of up to EUR 116.5 million. As of June 30, 2019, EUR 36.5 million has been draw down to finance the acquisition by Prisa Radio, S.A. of shares of 3i in treasury shares *(see section "Other financial liabilities").*

The guarantee structure of this Super Senior credit policy is the same as the one mentioned above relating to Tranche 2 and 3 of the debt of Prisa, in such a way that the creditors of said credit policy and those of Tranche 2 and 3 have the same guarantees. However, the Super Senior credit policy has a preferential rank with respect to Tranches 2 and 3 in relation to said guarantees. Also, Grupo Santillana Educación Global, S.L. and Grupo Media Capital, SGPS, S.A. they also assume certain restrictions in relation to this credit policy.

Other financial liabilities

The variation in the headings "Non-current financial liabilities and current financial liabilities" with respect to December 31, 2018 is due to the following:

- Derecognition of non-current financial liability for the amount of EUR 127,749 thousand (EUR 125,450 thousand as of December 31, 2018), that recorded the obligation to pay a preferred dividend for a minimum annual amount of USD 25.8 million to DLJ for its 25% holding in the share capital of Grupo Santillana Educación Global, SL, as a result of the share purchase operation described in note 2 - Significant operations.

- Derecognition of the current financial liability amounting to EUR 22,581 thousand recorded for the preferred dividend to DLJ accrued during the year 2018 and paid at the time of the acquisition of 25% of the share capital of Grupo Santillana Educación Global, SL, together with the preferred dividend accrued during the year 2019 to date of the transaction.

- Withdrawal of the current financial liability amounting to EUR 35,987 thousand for the execution of the acquisition in treasury stock, by Prisa Radio, SA, of the shares held by 3i Group plc, on February 27, 2019. This acquisition was financed with the Super Senior credit policy *(see section "Credit facilities")*.

- Addition of financial liabilities associated with leases recorded in accordance with IFRS 16, amounting to EUR 120,407 thousand in the long term and EUR 20,256 thousand in the short term as of June 30, 2019 (*see note 1.b*).

(10) LONG-TERM PROVISIONS

Long-term provisions include those for taxes, corresponding to the estimated tax liability amount arising from inspections conducted on Group companies *(see note 7)*, provisions constituted to cover employee compensation and third-party liability provisions for the estimated amount to cover potential claims and litigation against Group companies. In addition, this section also includes Group interests in companies accounted for using the equity method, the net value of which is negative.

The breakdown of "Long-term provisions" at June 30, 2019 and at December 31, 2018, is as follows:

	Thousands of euros	
	06/30/19	12/31/18
For taxes	8,655	8,698
For redundancies	5,080	5,425
For third-party liability and other	13,176	14,444
Total	**26,911**	**28,567**

(11) OPERATING INCOME AND EXPENSES

Operating income

The breakdown of income from the Group's main business lines for the six months ended June 30, 2019 and June 30, 2018 is as follows:

	Thousands of euros	
	06/30/19	06/30/18
Advertising sales and sponsorship	235,030	233,395
Sales of books and training	253,270	284,646
Newspaper and magazine sales	30,714	35,219
Sales of add-ons and collections	5,539	6,386
Sale of audiovisual rights and programs	12,505	16,507
Intermediation services	2,852	5,903
Other services	24,107	27,759
Revenue	**564,017**	**609,815**
Income from non-current assets	2,858	14,673
Other income	5,064	4,596
Other income	**7,922**	**19,269**
Total operating income	**571,939**	**629,084**

In 2018, the heading "*Income from non-current assets*" included the result of the sale of certain assets of Santillana USA Publishing Co. Inc., which has generated a profit of EUR 7,127 thousand, as well as an income of the sale of building owned by Santillana in Argentina amounting to EUR 6,249 thousand.

The following table shows the breakdown of the Group's incomes at June 30, 2019 and at June 30, 2018 in accordance with the geographical distribution of the entities that generated them (thousands of euros):

	Advertising sales and sponsorship		Sales of books and training		Newspaper and magazine sales		Sale of audiovisual rights and programs		Others		Total operating income	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Europe	**196,667**	**190,752**	**45,239**	**36,198**	**30,137**	**34,430**	**12,505**	**16,507**	**35,965**	**38,054**	**320,513**	**315.941**
Spain	137,760	132,173	45,030	36,180	30,137	34,430	18	2,333	21,095	24,324	234,040	229,440
Rest of Europe	58,907	58,579	209	18	-	-	12,487	14,174	14,870	13,730	86,473	86.501
America	**38,363**	**42,643**	**208,031**	**248,448**	**577**	**789**	**-**	**-**	**4,455**	**21,264**	**251,426**	**313.143**
Colombia	23,506	27,089	18,712	16,665	-	-	-	-	1,992	2,569	44,210	46.323
Brazil	-	37	55,249	64,750	-	-	-	-	470	1,374	55,719	66.161
Mexico	338	611	31,210	41,318	470	453	-	-	164	935	32,182	43.317
Chile	10,861	11,159	17,339	20,696	-	87	-	-	973	280	29,173	32.222
Rest of America	3,658	3,747	85,521	105,019	107	249	-	-	856	16,106	90,142	125.120
TOTAL	**235,030**	**233,395**	**253,270**	**284,646**	**30,714**	**35,219**	**12,505**	**16,507**	**40,420**	**59,318**	**571,939**	**629.084**

Staff

The average number of employees at the Group and its breakdown by sex is as follows:

	06/30/19	06/30/18
Men	4,620	4,765
Women	3,999	3,947
Total	**8,619**	**8,712**

Outside services

The detail of *"Outside services"* for the six months ended June 30, 2019 and June 30, 2018 is as follows:

	Thousands of euros	
	06/30/19	06/30/18
Independent professional services	50,970	56,814
Leases and fees	5,057	26,876
Advertising	21,767	21,714
Intellectual property	11,902	16,584
Transport	13,341	15,540
Other outside services	147,225	93,170
Total outside services	**250,262**	**230,698**

As of June 30, 2019, the heading "*Other external services*" includes the provision derived from the unfavorable court order in the conflict with Mediapro dated March 29, 2019 for an amount of EUR 51,036 thousand *(see note 17).*

(12) FINANCIAL RESULT

The detail of *"Financial result"* for the group at June 30, 2019 and 2018 is as follows:

	Thousands of euros	
	06/30/19	06/30/18
Income from current financial assets	435	275
Income from equity investments	34	74
Other finance income	952	1,239
Finance income	**1,421**	**1,588**
Interest on debt	(29,626)	(25,220)
Adjustments for inflation	(455)	1,793
Loan arrangement costs	(820)	(42,997)
Other finance costs	(5,814)	(3,116)
Finance costs	**(36,715)**	**(69,540)**
Exchange gains	13,575	22,572
Exchange losses	(16,456)	(24,288)
Exchange differences (net)	**(2,881)**	**(1,716)**
Value variation of financial instruments	**(2,667)**	**25,546**
Financial loss	**(40,842)**	**(44,122)**

As of June 30, 2019, the heading "*Other finance costs*" includes EUR 3,976 thousand for the effect of updating the financial liability associated with the lease agreements *(see note 1b).*

As of June 30, 2019 the heading "*Value variation of financial instruments*" includes the financial expense accrued in 2019 due to the transfer to the condensed consolidated income statement of the difference between the amount in the initial registration date of the debt associated to the Refinancing and its nominal amount along the duration of the debt, using the effective interest method. In 2018, the financial income corresponded to the difference between the nominal value of the Refinancing debt and its fair value at the initial registration date (*see note 9*).

In 2018, "*Loan arrangement costs*" line included the expenses and commissions corresponding to the previous financial indebtedness pending to be charged and the 2018 Refinancing expenses.

(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	
	06/30/19	06/30/18
Europe	**315,693**	**312,248**
Spain	230,445	225,935
Rest of Europe	85,248	86,313
America	**248,324**	**297,567**
Colombia	42,619	45,761
Brazil	55,600	65,876
Mexico	32,118	42,849
Chile	28,321	31,954
Rest of America	89,666	111,127
Total	**564,017**	**609,815**

The business segments were determined based on the Prisa Group's organizational structure at June 30, 2019 considering the nature of the products and services offered, and the customer segments which they target.

As of June 30, 2019, Prisa's operations are divided into four fundamental segments:

- Education, which includes primarily the sale of educational books and the services and materials related to the education systems;
- Radio, the main source of revenue from which is the broadcasting of advertising and, in addition, the organization and management of events and the provision of other supplementary services;
- Press, which groups together mainly the activities relating to the sale of newspapers and magazines, advertising, promotions and printing. Since January 1, 2019, this segment includes the central advertising and technology services, that until December 31, 2018 were included in "Other" (the information of the previous year has been modified for comparative purposes); and
- Media Capital, which obtains revenue mainly from the broadcasting of advertising and audiovisual production.

Segment information about these businesses for the six months ended June 30, 2019 and June 30, 2018 is presented below (in thousands of euros):

	Ordinary revenue from external customers		Ordinary revenue between segments		Total ordinary revenue	
	06/30/19	06/30/18	06/30/19	06/30/18	06/30/19	06/30/18
Education	255,778	300,675	202	660	255,980	301,335
Radio	131,828	134,030	2,672	1,947	134,500	135,977
Press	94,955	100,337	9,576	9,224	104,531	109,561
Media Capital	86,272	86,786	111	90	86,383	86,876
Other	3,106	7,256	4,009	8,178	7,115	15,434
Adjustments and elimination of ordinary income between segments	-	-	(16,570)	(20,099)	(16,570)	(20,099)
Total	**571,939**	**629,084**	**-**	**-**	**571,939**	**629,084**

	Profit from operations	
	06/30/19	06/30/18
Education	11,473	26,875
Radio	9,618	9,982
Press	(6,824)	(8,173)
Media Capital	5,890	10,491
Other	(73,383)	(38,585)
Adjustments and elimination	1,679	(188)
Total	**(51,547)**	**402**

	Assets	
	06/30/19	12/31/18
Education	506,044	523,012
Radio	435,462	402,399
Press	250,413	188,017
Media Capital	400,735	398,977
Other	3,486,771	2,785,829
Adjustments and elimination	(3,488,589)	(2,637,512)
Total	**1,590,836**	**1,660,722**

(14) RELATED PARTY TRANSACTIONS

The transactions performed with related parties in the six months ended June 30, 2019 and in 2018 were as follows (in thousands of euros):

	06/30/2019			06/30/2018		
	Directors and executives	Group employees, companies or entities	Significant shareholders	Directors and executives	Group employees, companies or entities	Significant shareholders
Finance expenses	-	50	7,924	-	163	10,936
Services received	-	250	3,961	-	113	4,436
Leases	-	121	1,145	-	324	1,119
Purchase of goods	-	-	48	-	-	45
Other expenses	5,193	91	438	4,294	32	140
Total expenses	**5,193**	**512**	**13,516**	**4,294**	**632**	**16,676**
Finance income	-	102	-	-	269	1
Provision of services	-	1,007	1,545	-	1,220	1,232
Leases	-	-	16	-	27	16
Other revenue	-	-	988	-	-	143
Total revenue	**-**	**1,109**	**2,549**	**-**	**1,516**	**1,392**

All related party transactions have taken place under market conditions.

Transactions with directors and executives

The aggregate amount of EUR 5,193 thousand corresponded to the remuneration received by directors and executives as detailed in note 15.

Transactions between Group employees, companies or entities

The aggregate amount of EUR 512 thousand is mainly includes the expenditure derived from the leasing of frequencies of radio with associates companies and financial expense for the negative exchange differences generated by loans granted to associated companies.

Finally, the aggregate amount of EUR 1,109 thousand mainly includes the income received by Radio in Spain from provision of technical assistance and advisory services, the income for sale of newspapers to Kioskoymás, Sociedad Gestora de la Plataforma Tecnológica, S.L. and the income for sale of advertising to Sistema Radiópolis, S.A. de C.V.

Transactions with significant shareholders

The aggregate amount of EUR 13,516 thousand mainly consists of expenditure on telephony and internet by Prisa Group companies with Telefónica, S.A., the expense by the leasing of offices in Tres Cantos with Telefónica, as well as finance costs derived from credits granted by major shareholders to Prisa Group companies, mainly the Refinancing interest expenses corresponding to HSBC Holding, PLC, and Banco Santander, S.A. amounting to EUR 7,620 thousand *(see note 9).*

Meanwhile, the aggregate amount of EUR 2,549 thousand mainly consists of income of Prisa Group companies for advertising services with Banco Santander, S.A. and Telefónica, S.A.

The detail of other transactions performed with related parties in the six months ended June 30, 2019 and in 2018 is as follows (in thousands of euros):

	06/30/19		06/30/18
	Group employees, companies or entities	Significant shareholders	Significant shareholders
Financing agreements: loans granted	315	-	-
Financing agreements: loans received	-	-	378,897
Other transactions	-	5,400	8,804

Transactions with significant shareholders

As of June 30, 2019 the aggregate amount of EUR 5,400 thousand in "*Other transactions*" included the expenses of the capital increase of April 2019 corresponding to Banco Santander, S.A. registered in the heading "*Other reserves*" in the accompanying condensed consolidated balance sheet *(see note 8),* that are pending payment.

As of June, 30, 2018, the aggregate amount of EUR 378,897 thousand included the loans granted by Banco Santander, S.A. and HSBC Holding, PLC within the framework of the Refinancing *(see note 9).*

Likewise, the aggregate amount of EUR 8,804 thousand in "*Other transactions*" includes the expenses of the capital increase of February 2018 corresponding to Banco Santander, S.A. registered in the heading "*Other reserves*" in the accompanying condensed consolidated balance sheet.

In addition to the foregoing, the capital increase described in note 8 was subscribed, among others, by some significant shareholders of the Company as of April 2019, as shown in its statements to the CNMV.

Likewise and according to information published on the website of the Comisión Nacional del Mercado de Valores ("CNMV"), the capital increase described in note 8 was subscribed by the following Prisa directors:

Directors' Name	Number of Direct Voting Rights suscribed	Number of Indirect Voting Rights suscribed
Francisco Javier Monzón de Cáceres	25,007	-
Joseph Oughourlian (through the also Director Amber Capital UK LLP*)	-	45,741,645
Manuel Mirat Santiago	21,131	-
Manuel Polanco Moreno	63,187	150,246 (through Olnacasco, S.L.)
Francisco Javier Gómez Navarro- Navarrete	2,278	-
Shk. Dr. Khalid bin Thani bin Abdullah Al-Thani	-	8,266,811 (through International Media Group, S.A.R.L.)

* The transactions performed by Amber Capital UK LLP have been carried out, in turn, by the following entities: Oviedo Holdings SARL, Amber Active Investors Limited y Amber Global Opportunities Limited.

It should be also underscored that the director Shk. Dr. Khalid bin Thani bin Abdullah Al Thani is Vice Chairman of the media group Dar Al- Sharq, which maintains a strategic alliance with Diario As (a company of Prisa Group), under which in 2017 they jointly launched "AS Arabia".

The detail of the balances receivable from and payable to associates and related parties as of June 30, 2019 and as of December 31, 2018 is as follows:

	06/30/2019		12/31/2018	
	Group employees, companies or entities	Significant shareholders	Group employees, companies or entities	Significant shareholders
Trade receivables	3,153	1,700	3,902	842
Receivables- loans	9,815	-	11,012	-
Total receivables	**12,968**	**1,700**	**14,914**	**842**
Trade payables	753	2,661	2,151	3,131
Other payables	-	5,400	-	-
Payables- loans	2	405,852	2	405,040
Total payables	**755**	**413,913**	**2,153**	**408,171**

Balance with Group employees, companies or entities-

Receivables loans at June 30, 2019 mainly include the credit granted by Prisa Noticias, S.L. to Le Monde Libre Société en Commandité Simple, in the net amount of EUR 6,339 thousand (EUR 6,351 thousand at December 31, 2018) and the loans granted by Sociedad Española de

Radiodifusión S.L. to Green Emerald Business Inc in the amount of EUR 2,793 thousand (EUR 2,472 thousand at December 31, 2018).

Balance with significant shareholders-

The aggregate amount of EUR 1,700 thousand mainly includes the amounts pending of collection for advertising services of Prisa Group companies to Banco Santander, S.A. y Telefónica, S.A.

The aggregate amount of EUR 415,013 thousand is mainly accounted the loans granted to Prisa Group companies by:

- Banco Santander, S.A. amounting to EUR 35,745 thousand (EUR 37,425 thousand at December 31, 2018).

- HSBC Holding, PLC amounting to EUR 370,107 thousand (EUR 367,615 thousand at December 31, 2018).

(15) REMUNERATION AND OTHER BENEFITS OF BOARD MEMBERS AND EXECUTIVES

In the six months ended June 30, 2019 and 2018, the consolidated companies registered the following amounts in respect of remuneration to Prisa's Board members and executives:

	Thousands of euros	
	06/30/2019	06/30/2018
Compensation for belonging to the Board and/ or Board Committees	734	644
Salaries	250	403
Variable compensation in cash	122	141
Compensation systems based on shares	588	-
Indemnification	-	-
Other	2	5
Total remuneration received by board members	**1,696**	**1,193**
Total remuneration received by executives	**3,497**	**3,101**

The aggregated remuneration of directors and senior management reflected in the table above corresponds to the accounting expenses made in the income statement of Promotora de Informaciones, S.A. (Prisa) and other companies of its Group and consequently it corresponds to the accounting provisions registered in the profit and loss account.

Remuneration of the Directors:

Regarding the first half of 2019:

i) The overall remuneration of the Board of Directors includes that of Mr. Waaled Alsa'di up to the time of his cease as a director on June 3, 2019, and that of Ms. Béatrice de Clermont - Tonnerre, who was appointed director on said date.

ii) Remuneration of Mr. Javier Monzón de Cáceres (non-executive Chairman since January 1, 2019) and of Mr. Manuel Polanco Moreno:

The Board of Directors of Prisa held in December 2018 agreed to the cessation of Mr. Manuel Polanco Moreno as non-executive Chairman, effective January 1, 2019, and agreed to the appointment of Mr. Javier Monzón de Cáceres, at that time non-executive Vice Chairman and Coordinating Director, as non-executive Chairman of the Board of Directors of Prisa, with effect also from January 1, 2019.

The General Shareholders' Meeting held on June 3, 2019, has modified the Remuneration Policy of the Prisa directors for the period 2018-2020, to establish the new remuneration conditions applicable to the non-executive Chairman of the Board of Directors, with retroactive effect as of January 1, 2019, which has been established, under the Policy, at EUR 400 thousand per year.

Mr. Manuel Polanco Moreno remains a director of Prisa and from January 1, 2019, he receives the remuneration that the Remuneration Policy provides for the directors, in their capacity as such for its membership to the Board of Directors and the Delegated Commission.

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 (considering a 100% fulfilment with the established targets) of CEO Mr Manuel Mirat, sole executive director of the Company, if 2019 management objectives are achieved. However, since this compensation is subject to achievement of the management objectives at the end of the year 2019, 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 2019 annual accounts of the Group are prepared, based on the level of achievement of the established objectives.

- Regularization of 2018 bonus paid in April 2019 to the CEO.

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

In the first half of 2019, an accounting expense of EUR 588 thousand was recorded for this item in relation to the CEO of Prisa. This expense is included within "Compensation systems based on shares" in the previous table. However, since this compensation is subject to achievement of the certain objectives, the accounting figure in no way constitutes acknowledgment that that variable compensation has accrued, which will occur, if at all, once the year 2020 is closed and the annual accounts of the Group are prepared, based on the level of achievement of the established objectives.

v) No other credits, advances or loans occurred, nor were pension obligations incurred, in respect of the Board of Directors during the first half of 2019.

<u>Regarding the first half of 2018:</u>

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

ii) In accordance with the Directors 'Remuneration Policy for the period 2018-2020, which was approved at the Ordinary Shareholders' Meeting held on April 25, 2018 and which is applicable with retroactive effect from January 1, 2018 (the "Remuneration Policy"), Mr Manuel Polanco Moreno shall be entitled to receive a gross fixed annual remuneration of EUR 500 thousand in his capacity as a director and as the non-executive Board Chairman, which shall be paid in cash on prorated monthly basis. The remuneration corresponding to the first semester of 2018, that is, EUR 250 thousand, has been recorded as follows: i) until the approval of the Remuneration Policy, Mr. Manuel Polanco has continued to receive the remuneration that corresponded to him for the mercantile service lease contract that he had with the Company, for a total amount of EUR 153 thousand which are registered within "salaries"; ii) the difference of up to EUR 250 thousand, that is, EUR 97 thousand, are registered under "Compensation for belonging to the Board and/ or Board Committees".

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

- Annual variable compensation (bonus): reflection of the amount corresponding to theoretical annual variable compensation of CEO Mr Manuel Mirat, sole executive director of the Company, in the achievement of 2018 objectives.

- Regularization of 2017 bonus paid in April 2018 to the CEO.

iv) It is noted that in the first half of 2018 no accounting expenses have been recorded in relation to the "Incentive Plan 2018-2020".

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

Senior management compensation

The aggregate compensation of the managers is the compensation of members of senior management, that being understood to be the members of the Business Management Committee that are not executive directors and have an employment or mercantile relationship with Prisa and other companies in the Group, managers who regularly attend meetings of the Committee, and the Internal Audit Manager of Prisa. Specifically, as of June 30, 2019 and June 30, 2018, it is that of the following executives: Mr. Xavier Pujol, Mr. Guillermo de Juanes, Mr. Augusto Delkader, Mr. Jorge Rivera, Ms. Marta Bretos, Mr. Miguel Angel Cayuela, Mr. Pedro García Guillén, Mr. Alejandro Martinez Peón, Ms. Rosa Cullel, Ms. Virginia Fernández and Mr. Jorge Bujía (the latest only regarding the first half of 2019, since he joined the management team in June 2019).

The total aggregate compensation of members of senior management of Promotora de Informaciones, S.A. and other companies in the Group is the accounting reflection of the overall compensation of managers. The total aggregate compensation in the first half of 2019 amounts to EUR 3,497 thousand and in the first half of 2018 amounts to EUR 3,101 thousand.

<u>Regarding the first half of 2019:</u>

i) The compensation of Mr. Jorge Bujía is since his appointment as Director of Risk Control and Management Control at the beginning of June 2019.

ii) 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 2019 management objectives are achieved. However, since this compensation is subject to achievement of the management objectives at the end of the year 2019, 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 2019 annual accounts of the Group are prepared, based on the level of achievement of the established objectives.

- Regularization of 2018 bonus paid in April 2019.

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

In the first half of 2019, an accounting expense of EUR 1,358 thousand was recorded for this item in relation to the senior management. However, since this compensation is subject to achievement of the certain objectives, the accounting figure in no way constitutes acknowledgment that variable compensation has accrued, which will occur, if at all, once the year 2020 is closed and the annual accounts of the Group are prepared, based on the level of achievement of the established objectives.

Regarding the first half of 2018:

i) It has been included the remuneration of Mr. Augusto Delkader, Mr. Jorge Rivera, Ms. Marta Bretos, Mr. Pedro García Guillén and Mr Alejandro Martinez Peón from their appointment, in the first quarter of 2018, as Chief Editor, Chief of Communication and Institutional Relations, Head of Talent Management, CEO of Prisa Radio, and CEO of Prisa Noticias, respectively.

The remunerations of Ms Bárbara Manrique de Lara, Mr. Ignacio Soto and Mr Andrés Cardó Soria, until they ceased in 2018 as Chief of Communication and Institutional Relations, Chief Revenue Officer, and CEO of Prisa Radio, respectively, are also included within the total compensation of senior management.

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

- Reflection of the amount corresponding to theoretical annual variable compensation of the executives in the fulfilment of 2018 management objectives.
- Regularization of 2017 bonus paid in April 2018 of those who were members of senior management at December 31, 2017, which includes the adjustments in the bonus corresponding to Mr. Manuel Mirat, CEO of Prisa, for his responsibilities as CEO of Prisa Noticias in 2017.
- EUR 1,017 thousands in respect of the post-contractual non-competition agreement and compensation for termination of contracts of senior management in the first half of 2018.

iii) It is noted that in the first half of 2018 no accounting expenses were recorded in relation to the "Incentive Plan 2018-2020".

iv) Finally, it is noted that Mr. Fernando Martínez Albacete, the representative of the director Amber Capital, was a member of Prisa's senior management until June 2017 and, due to the termination of his contract with the Company, he has received amounts in the form of non-competition agreement, until May 2018. These amounts are not included in the above tables since they do not refer to payments received for having the status of member of senior management in 2018.

(16) GUARANTEE COMMITMENTS TO THIRD PARTIES

At June 30, 2019, Prisa had furnished personal guarantees (including counter-guarantees) amounting to EUR 61,287 thousand. For this amount, EUR 50,000 thousand correspond to the litigation for football rights of Audiovisual Sport, S.L *(see note 17)*.

The Company's directors do not consider that significant impacts in the financial statements of the Group will arise from the guarantees provided, except for what is mentioned in note 17 regarding the unfavourable court order of the conflict with Mediapro dated March 29, 2019.

(17) ONGOING LITIGATIONS AND CLAIMS

A) Audiovisual Sport

i) Mediapro vs. AVS (Damages from the injunctive relief)

On July 24, 2006 Audiovisual Sport, S.L. ("AVS"), Sogecable, S.A.U. (now Prisa), TVC Multimedia, S.L. and Mediaproducción, S.L. ("Mediapro") reached an agreement for the exploitation of the Football League rights for the 2006/07 season and subsequent seasons. The main object of this agreement was to maintain the televised football exploitation model that had allowed, under AVS' coordination, the broadcasting of all League matches in a peaceful, stable and orderly manner since 1997.

Following Mediapro's repeated breaches of the agreement from the moment immediately following its signature, and its failure to pay the amounts owed to AVS, the latter filed a lawsuit against Mediapro on July 3, 2007, which was extended on July 31, 2007.

On September 28, 2007 Mediapro replied to the claim and issued a counter-claim against the other signatories of the agreement of July 24, 2006, claiming that it was void.

On October 8, 2007 Madrid Court of First Instance no. 36 granted the interim measures (injunctive relief) requested by AVS against Mediapro, holding that the First Division Clubs' rights relating to the 2007/2008 season to which the application for interim measures related belonged to AVS, and also resolving that "Mediapro be forbidden, during the 2007/08 football season, to make any disposal of exploitation of the audiovisual rights assigned to AVS, except for any legitimate use of said rights further to the legal relationship arising from the Agreement of July 24, 2006".

In compliance with the said order, AVS submitted to the Court a guarantee for the sum of EUR 50,000 thousand to secure compliance with its contractual obligations. The order of October 8, 2007 was revoked by the Provincial Court of Madrid in July 2008, and the above mentioned guarantee remains at the disposal of the Court of First Instance until the end of the proceedings for the settlement of damages.

On March 15, 2010, the Court of First Instance No. 36 of Madrid gave a judgment estimating the demand of AVS, condemning Mediapro to deliver the audiovisual rights of the clubs - belonging to AVS-, and also to pay the sum of EUR 104.6 million. After different judgments, which were appealed by both parties in the framework of this proceeding, on January 9, 2015, the Supreme Court of Spain (Tribunal Supremo) issued a judgment declaring the agreement of July 24, 2006 null and void.

As a consequence of such Supreme Court judgement, on September 14, 2015 Mediapro requested that the suspension be lifted and that the proceeding in relation to the interim measures of October 8, 2007 continue. With a judicial order of September 28, 2015, the Court agreed to proceed with the proceedings and, considering the Supreme Court ruling, requested a court-appointed appraiser to determine the amount of possible damages arising from the adoption of the interim measures, granting a term until February 2017 in which to do so. Appraiser quantified the damages in an amount of EUR 65,096 thousand.

On December 5, 2017, Madrid Court of First Instance no. 36 gave a ruling rejecting Mediapro's claim and fully accepting AVS's objections. This ruling is notified on January 9, 2018.

On February 2018, MediaPro filed an appeal against such ruling, which was duly objected to by AVS. On April 12, 2019 AVS was notified of the Court order issued by the Civil Chamber of the Provincial Court of Madrid on the claims of MediaPro requiring AVS to pay EUR 51,036 thousand to MediaPro as damages, and an expense for that amount has been recognised in "*Other external services*" (*see note 11*). AVS submitted both clarification and supplemental requests to the order, which were rejected by the Court on May 29, 2019.

Notwithstanding that the judgment cannot be ordinarily appealed, on June 24, 2019, AVS filed a request for the annulment of the proceedings (*incidente de nulidad de actuaciones*) and for the suspension of the enforcement of the payment order, before the Provincial Court of Madrid. AVS has been notified on June 27, 2019 that the Court admitted for consideration the extraordinary appeal (*incidente de nulidad de actuaciones*), but it rejected the suspension of the payment order. As of the date hereof, the extraordinary appeal (*incidente de nulidad de actuaciones*) is still pending resolution.

On July 26, 2109, the Court of First Instance no. 36 of Madrid required AVS to pay the EUR 51,036 thousand, granting AVS a 1-month term.

As a guarantee in that proceeding, the AVS's EUR 50,000 thousand security remains in deposit at the Court. The financing agreements entered into by Prisa with its creditors set forth that in the event that such guarantee is enforced, the guarantor would pay EUR 50,000 thousand directly to MediaPro and (i) Prisa Group will pay EUR 15,000 thousand to the guarantor and (ii) will convert the additional EUR 35,000 thousand in financial long-term debt of Prisa.

ii) AVS vs. Mediapro (Unjust enrichment)

Afterwards, on June 20, 2016 AVS filed a complaint against Mediapro seeking compensation for damages sustained by AVS as a result of Mediapro's unlawful use of its audiovisual rights during the 2007-08 and 2008-09 seasons. Given the fact that the agreement of July 24, 2006 was declared null and void by the Supreme Court and given that during the 2007-08 and 2008-09 seasons Mediapro and AVS commercialized and exploited the audiovisual rights of certain First and Second Division soccer clubs that the clubs had assigned individually and exclusively to either AVS or Mediapro, AVS has filed a complaint in the Barcelona courts seeking to recover from Mediapro the net profits unduly obtained by Mediapro for the exploitation of the audiovisual rights of those clubs whose rights were held by AVS, minus the net profit unduly obtained by AVS from exploitation of the rights of the clubs held by Mediapro. The complaint was accompanied by an expert opinion concluding that the difference between the net profits unduly obtained by AVS and Mediapro shows a balance in AVS's favor in the amount of EUR 85,117 thousands, that is the amount that AVS is seeking for in the complaint filed on June 20, 2016. Mediapro duly answered the complaint, raising a res judicata defense as its principal procedural position and presenting an expert opinion to counter the conclusions of the expert opinion presented by AVS, and Barcelona Court of First Instance No. 37 scheduled the previous hearing for January 29, 2017, and the trial took place on June 7, 2017. On July 3, the judgment of the Court of First Instance No. 37 of Barcelona notified its judgment to the parties, which rejected AVS's claim, making application of the res judicata effect to the rest of the 2007/08 season and the entire 2008/09 season, and not entering to assess the economic impact of the use of third-party audiovisual rights.

AVS has filed an appeal before the Provincial Court of Barcelona (Audiencia Provincial) requesting the revocation of this judgement and the full acceptance of its claim.

On April 15, 2019, AVS has filed a statement requesting that the ruling of the Provincial Court of Madrid of March 29, 2019 -referred in the previous section- be taken into account for the purpose of calculating the income and expenses attributable to each of the parties, a document that was admitted to process by order of ordination dated May 3. Through diligence dated May 17, the Provincial Court of Barcelona has set the deliberation, voting and ruling for June 14, 2019.

On July 12, 2019, a Judgement of the Provincial Court of Barcelona fully rejecting AVS's appeal is notified to AVS. On July 17, 2019, AVS deposited a clarification and supplementation request. This judgement can be appealed before the Supreme Court (recurso de casación). AVS is assessing to file such appeal.

iii) <u>Mediapro vs. AVS (Damages from Mediapro's insolvency)</u>

On the other hand, a complaint was filed on May 12, 2016 at the Civil Trial Court in Colmenar Viejo in which Mediapro and Imagina Media Audiovisual (the "Plaintiffs") have petitioned the court to find AVS and DTS Distribuidora de Televisión Digital, S.A. ("DTS") –an company out of PRISA Group- jointly and severally liable for payment of the compensation sought (EUR 89,739 thousands). Plaintiffs allege that Mediapro was forced into proceedings in which it was declared insolvent, having been deliberately placed in a situation of imminent insolvency given that on June 16, 2010 (i) Mediapro was informed that AVS had petitioned the court for the provisional enforcement of the judgment of March 15, 2010 ordering Mediapro to pay AVS EUR 104,993 thousand and (ii) DTS sent Mediapro a letter announcing that it would not continue to comply with the June 4, 2009 contract for the exploitation of audiovisual rights for the League and Cup soccer matches during the 2009-2010, 2010-2011 and 2011-2012 seasons if Mediapro did not provide a bond guaranteeing that if Mediapro failed to fulfill its obligations, Mediapro would proceed to reimburse DTS for the amounts already delivered. According to the Plaintiffs, the petition for execution of judgment, together with DTS's requirement undermined the basis on which the financial institutions had been willing to provide Mediapro with the amounts required to satisfy the compensation demanded by AVS.

Given its imminent insolvency due to the impossibility of paying the compensation and being unable to negotiation an agreement with its financial institutions, on June 16, 2010 Mediapro commenced proceedings to be declared insolvent. In view of the above, the Plaintiffs consider that AVS and DTS intentionally provoked Mediapro's insolvency and (based on an expert opinion provided) deems the damages incurred by Mediapro and the Imagina Group amount to EUR 89,739 thousands, as a consequence of the declared insolvency.

Both DTS and AVS duly answered Mediapro's complaint, and their pleadings were declared admissible at the First Instance Court No. 82 of Madrid. The trial took place by two sessions on January 23 and February 5, 2018. On February 27, 2018 the Court notified its judgement – dated on February 22, 2018-, which fully rejecting the Plaintiffs' claims and ordering the Plaintiffs' to pay the costs of the proceeding.

The Plaintiffs filed an appeal against this ruling, which has been objected by both AVS and DTS, before the Provincial Court of Madrid (Audiencia Provincial). On November 12, 2018, the Provincial Court notified its judgement (dated on October 29, 2018) which still partially upholding the appeal, maintains the complete dismissal of the claim filed by Mediapro against the AVS and DTS.

AVS has filed, against the Provincial Court's judgement, an extraordinary appeal for procedural infringement and cassation appeal before the Supreme Court. Besides, both DTS and the Plaintiffs have filed a cassation appeal before the Supreme Court. None of these leaves to appeal have yet been granted.

The Group's Directors and internal and external legal advisors do not believe that resolution of these litigations will entail any relevant liabilities not registered by the Group.

B) Santillana

On October 5, 2017, the National Markets and Competition Committee (CNMC) notified Santillana and its Spanish subsidiaries (in addition to most of the members of the Spanish Textbook Editor Association "ANELE") that it was opening a file (S/DC/0594/16) as there were indications that the entities participated in the practices contrary to Articles 1 of the Competition Defense Law (LDC) and 101 of the Treaty on the Functioning of the European Union.

On May 30, 2019, the CNMC issued the resolution for that file by means of which Grupo Santillana Educación Global, S.L. and certain of its Spanish subsidiaries (Santillana Educacion, S.L., Ediciones Grazalema, S.L., Edicions Obradoiro, S.L., Edicions Voramar, S.A., Zubia Editoriala S.L. and Grup Promotor d'Ensenyament i Difusio en Catala, S.L.) were sanctioned to pay a fine amounting EUR 9,200 thousand collectively due to engaging in two anticompetitive practices: one related with the performance and application of the Code of Conduct of ANELE and the other related to an alleged agreement with aimed at homogenizing digital books prices and marketing conditions. The resolution sanctions all of the members of ANELE that were part of the file.

Santillana, that rejects the CNMC resolution has appealed CNMC's ruling before the National Court (*Audiencia Nacional*) claiming the nullity of such resolution.

We do not expect, based on advice from internal and external legal counsel, that the resolution of this case will have a significant adverse effect on our consolidated financial results and have not made a provision for it.

C) Other litigations

In addition, the Group is involved in other litigations for smaller amounts. The Directors and internal and external advisors do not consider that any relevant liabilities will arise from such litigations.

(18) EVENTS AFTER THE BALANCE SHEET DATE

No significant events have occurred since June 30, 2019 until the date of approval of these condensed interim consolidated financial

(19) EXPLANATION ADDED FOR TRANSLATION TO ENGLISH

These consolidated financial statements are presented on the basis of IFRSs as adopted by the European Union. Certain accounting practices applied by the Group that conform to IFRSs may not conform to other generally accepted accounting principles.

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

Consolidated Directors' Report for the six months ended June 30, 2019

PROMOTORA DE INFORMACIONES, S.A. (PRISA)

AND SUBSIDIARIES

CONDENSED CONSOLIDATED DIRECTOR'S REPORT FOR THE SIX MONTHS ENDED JUNE 30, 2019

1. BUSINESS PERFORMANCE

The Group uses EBITDA to follow the evolution of its businesses and establish the operational and strategic objectives of the Group companies.

During 2019, the Group has redefined EBITDA by incorporating changes in operating allowances, so the definition of EBITDA is as follows: EBITDA is defined as profit from operations plus assets depreciation expense and impairment of assets.

For the comparability of the information, the figures for the first half of 2018 have been modified.

The following tables detail the reconciliation between EBITDA and the Group's profit from operations for each of the segments of the first half of 2019 and 2018 (in millions of euros):

	06.30.2019					
	Education	Radio	Press	Media Capital	Others	Prisa Group
PROFIT FROM OPERATIONS	**34.5**	**19.0**	**(3.2)**	**9.8**	**(57.2)**	**2.9**
Depreciations and amortisation charge	26.1	9.1	4.8	4.4	0.7	45.1
Impairment of assets	1.3	-	-	-	-	1.3
EBITDA	**61.9**	**28.1**	**1.6**	**14.2**	**(56.5)**	**49.3**

	06.30.2018					
	Education	Radio	Press	Media Capital	Others	Prisa Group
PROFIT FROM OPERATIONS	**63.8**	**16.8**	**(7.1)**	**16.4**	**(9.4)**	**80.5**
Depreciations and amortisation charge	20.1	4.0	2.4	3.0	0.2	29.7
Impairment of assets	0.3	-	-	-	0.1	0.4
EBITDA	**84.2**	**20.8**	**(4.7)**	**19.4**	**(9.1)**	**110.6**

The **evolution of the Consolidated Group** in the first half of 2019 is as follows*:*

- EBITDA in the first half was EUR 49.3 million (-55.4%). This fall is due to the fact that EBITDA has been negatively influenced by various temporary and extraordinary factors:
    - Unfavourable ruling for Mediapro in 2019: EUR -51.0 million.

- The sale of Santillana USA and the sale/leaseback agreement for Argentina in 2018: EUR -13.4 million.
- Temporary effects in the institutional Campaigns for Santillana in Mexico (Conaliteg) and Brazil (replenishment order) and hyperinflation in Argentina: EUR -14.4 million.
- In Media (Radio and Press), effects of events such as the FIFA World Cup or the Copa América and institutional advertising for in Colombia: EUR -3.8 million.
- This is all partially offset by the positive impact of IFRS 16 in 2019: EUR +17.7 million.

EBITDA, adjusted for all the effects described above, would have increased by +3.8% (EUR +3.6 million).

- The most significant events for this half-year were:

  - Operating income in line with expectations and business cyclicality:
    - Developments in Santillana have been favourable, affected by temporary effects in the institutional sales in Mexico and Brazil, with good performance in the teaching systems.
    - With regards to Radio, there has been strong operational development thanks to Spain.
    - In the Press, advertising revenue has increased due to digital advertising, and circulation margins have improved due to the efficiency measures implemented.
    - Media Capital has increased its advertising revenue along as well as its programming expenses, in a very competitive market environment.

  - Cash generation before transactions reached EUR -88.4 million (in line with expectations) while net debt reached EUR 1,180.2 million after making the pending payment to 3i amounting to EUR 36.1 million and the purchase of 25% of Santillana amounting to EUR 312.5 million, partly financed with funds from the capital increase of EUR 199.8 million.

  - An extraordinary provision was made after the negative ruling of EUR 51.0 million for the Mediapro conflict.

  - The company successfully completed a capital increase for the purchase of a minority stake in Santillana. The Standard & Poor's (B) credit rating has improved and a new rating obtained by Moody's (B2) with a stable perspective.

Business performance for the first half of 2019 was as follows:

- In the area of **Education**, operating income reached EUR 256.0 million (-15.1% down on the 2018 figure). Without the negative exchange rate effect (EUR -4.5 million), revenue decreased -13.6% compared to 2018 due to the impact of the extraordinary sale of assets in 2018 (Santillana USA and the sale of the Argentina building), temporary effects in the institutional sale in Mexico (Conaliteg) and Brazil (reprints of the PNLD). Santillana has also been affected by the denomination of Argentina as a hyperinflationary economy (it began to be considered that way in September 2018). Without the impact of extraordinary sales of fixed assets, temporary effects and hyperinflation, Santillana's revenue would have grown +1.1% in local currency compared to 2018.

EBITDA reached EUR 61.9 million (-26.5%). If the exchange rate effect (EUR -1.5 million), the effect of the implementation of IFRS 16 and the temporary effects of public sale, hyperinflation in Argentina and the impact of the extraordinary sales of fixed assets are eliminated, EBITDA would be in line with 2018 (+0.3%).

- Campaigns in the southern area were completed in the first half-year and have developed in line with expectations, with growth of subscription models based on education systems. In local currency, they have decreased both in revenue and in EBITDA (adjusting the impact of IFRS 16) mainly due to the temporary effect of the institutional sale of Brazil (reprints of PNLD, partly accounted for in the second quarter of 2018) in the second half of the year and the impact of hyperinflation in Argentina.

- Campaigns in the northern area (mainly in Spain and Mexico) which took place mainly in the second half of the year have had a good start. The deviation in Mexico is temporary due to the fact that the institutional sale (Conaliteg) was registered in 2018 in the second quarter and was expected to be registered in 2019 in the second half of the year. This deviation is offset with good performance from Spain, being a campaign with new features.

- The digital education systems (UNO, Compartir, Farias Brito, Educa and ESL) have continued to expand in Latin America, increasing the number of students by 12.2% to reach close to 1.4 million students.

• In the field of **Radio**, operating income reached EUR 134.5 million, down -1.1% compared to 2018. Revenue at a constant exchange rate (negative exchange rate effect of EUR -2.3 million) increased by +0.6% despite the impact in 2018 of institutional advertising for elections and the World Cup. Excluding the impacts of elections and the World Cup, revenue grew +3.4% in constant currency (+1.7% in euros).

EBITDA reached EUR 28.1 million, increasing EUR +7.4 million, partly due to the impact of IFRS 16. Excluding this impact and in local currency, EBITDA increased EUR +0.9 million (+3.1%). If the effects of the World Cup and the elections are also isolated, the growth would have been +14.0% in local currency.

- Advertising of Prisa Radio in Spain has grown +4.0% (despite the impact of the World Cup in 2018). Local advertising displayed a growth of +6.4% while national advertising registered a growth of +1.1%. Excluding the impact of the World Cup, Prisa Radio in Spain would have grown +6.4%.

- In Latin America, advertising decreased -6.4% in local currency (-11.6% in euros) due to the effect of the elections and the 2018 World Cup in Colombia: in constant currency and without the impact of the elections and World Cup, Prisa Radio in Latin America would have grown +2%.

- According to the last EGM, Prisa Radio in Spain has maintained its leadership in both general and musical radio broadcasting.

• As for **Press**, starting in fiscal year 2019, transversal publicity marketing units (PBS) and Tecnología have become part of the Press area. Operating income reached EUR 104.5 million, which represents a decrease of -4.6%, partly due to the effect of the 2018 World Cup (without this impact, revenue would have fallen -3.4%). The fall in traditional business (paper advertising, circulation, promotions, etc.) explains this decrease. This drop in revenue is offset by the increase in digital advertising, improvement in circulation margins and cost savings resulting from agreements and efficiency measures reached in 2018.

EBITDA has reached EUR +1.6 million, an improvement of EUR +6.3 million compared to 2018. Without the impact of IFRS 16, EBITDA increased EUR +3.6 million. Trade, not including PBS and Prisa Tecnología, has followed the following pattern:

- Advertising revenue during the period increased +3.2% due to the increase in digital advertising, which rose 11.4% (representing 55% of the division's total advertising revenue), offsetting the -7% decline in traditional advertising. Without the impact of the World Cup, advertising revenue would have grown +6.1%.

- Circulation revenue fell -12.8% partly due to the elimination of block sales in Latin America that took place during 2018. Without this impact, the drop in sales of copies is -8.8%. Despite this drop in revenue, the margin for copies has grown +30.2%.

- Promotional revenue has decreased -13.2%, although the outcome continues to be positive.

- In the first half of 2019, 129 million unique browsers were registered (-0.1%).

- El País has consolidated its position as the first newspaper printed in Spanish in the world media ranking, and As maintains its digital leadership in America.

• At **Media Capital**, revenue reached EUR 86.4 million (slightly below -0.6%) and EBITDA amounted to EUR 14.2 million, below 2018 at -26.7% (-31% without the impact of IFRS 16) having reinforced the programming schedule for TVI, especially during prime time, in a very competitive environment.

- Advertising revenue during the period grew by 0.7%, mainly due to better results in Radio (+10%) and internet (+10%), which offset the drop in Television (-1%).

- TVI maintains its leadership in prime time, reaching a daily average audience of 22.0% of total television services. In 24 hours it reached a daily average of 17.9%.

- Media Capital radio stations reach 35.8% of audiences according to the 3rd Wave of Audiences (Radio Comercial has a 23.6% share).

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

	2019	**Exchange rate effect**	**2019 excluding exchange rate effect**	**2018**	**Change excluding exchange rate effect**	**Change (%) excluding exchange rate effect**
Education (*)						
Operating income	256.0	-4.5	260.5	301.3	-40.9	-13.6
EBITDA	61.9	-1.5	63.4	84.2	-20.8	-24.7
Radio						
Operating income	134.5	-2.3	136.8	136.0	0.8	0.6
EBITDA	28.1	0.2	28.0	20.8	7.2	34.8
Prisa Group						
Operating income	571.9	-6.7	578.6	629.1	-50.5	-8.0
EBITDA	49.3	-1.4	50.7	110.6	-59.9	-54.2

(*) Excluding the exchange rate effect of Venezuela.

The Group's **Net bank debt** increased by EUR 251.5 million during the first half of 2019 and stood at EUR 1,180.2 million at June 30, 2019, after the payment to 3i for an amount of EUR 36.1 million and the acquisition of 25% of Santillana for an amount of EUR 312.5 million financed with the funds coming from the capital increase for an amount of EUR 199.8 million *(see notes 2 and 8 of the accompanying explanatory notes).*

This indicator of debt includes non- current bank borrowings and current bank borrowings, excluding loan arrangement costs and fair value of financial instruments, diminish by current financial assets, cash and cash equivalents.

The following table shows the composition of this indicator at June 30, 2019 and at December 31, 2018:

	Million of euros	
	06.30.19	12.31.18
Non-current bank borrowings	1,176.1	1,149.7
Current bank borrowings	103.4	76.1
Loan arrangement costs/ Fair value	20.2	22.8
Current financial assets	(19.3)	(24.9)
Cash and cash equivalents	(100.2)	(295.1)
NET BANK DEBT	**1,180.2**	**928.6**

2. PRINCIPAL RISKS ASSOCIATED WITH THE BUSINESS

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

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

Risks relating to the financial and equity situation

Financing risk-

The Group's financial obligations are set out in note 11b "*Financial liabilities*" in 2018 Prisa consolidated financial statements.

As of June 30, 2019, the Group's net bank debt level stood at EUR 1,180.2 million and represents a series of risks:

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

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

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

Equity situation of the Group's Parent Company-

As of June 30, 2019, the equity of the parent Company with respect to the cause of dissolution and/or reduction of capital stipulated in Spain’s Corporate Enterprises Act stood at EUR 565,969 thousand (including participating loans outstanding at the date), greater in EUR 121,881 thousand to the two thirds of the capital stock (EUR 666,131 thousand).

The evolution of Prisa's net equity will depend, among other factors, on the performance of the Prisa Group's businesses, the recoverability of financial assets and investments, the cost of debt financing, possible contingencies and other operating costs of the Company. In this respect, an unfavourable evolution of the Company's net equity could lead to a situation of equity imbalance as concerns commercial legislation. This situation could entail the need to propose, to the competent corporate bodies, the implementation of new capital decreases or increases; or, in the event of a cause for dissolution that is not resolved as provided by law, the dissolution of the Company.

Credit and liquidity risk-

The adverse macroeconomic situation with major declines in advertising and circulation has had a negative impact on the Group's ability to generate cash flow over recent years, mainly in Spain. Businesses which rely heavily on advertising have a high percentage of fixed costs, and any decline in advertising revenues has major implications for margins and the cash position, making it difficult to implement additional measures to improve Group operating efficiency. As of June 30, 2019, advertising revenue represented 41.1% of Group operating income.

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

In this respect, on June 29, 2018, within the framework of debt refinancing, the Company established a Super Senior credit facility until June 2023, in the amount of EUR 50 million, to finance the Company's operating needs, that was increased by EUR 30 million in April 2019, as a result of the acquisition of 25% of Santillana. As of June 30, 2019, no drawdowns of the aforementioned credit facility have been made.

In terms of the commercial credit risk, the Group assesses the age of the trade receivables and constantly monitors the management of the receivables and payables associated with all its activities, as well the maturities of financial and commercial debt and repeatedly analyses other financing methods in the aim of covering planned cash requirements in the short, medium and long-term.

Non-controlling interests in cash generating units-

As of the date of approval of these interim condensed consolidated financial statements, the Group has significant non-controlling interests in cash generating units, mainly in radio businesses.

Exposure to interest rate hedges-

The Group is exposed to changes in interest rates as around 98.6% of its bank borrowings bear interest at floating rates. The Group currently has no derivative contracts for interest rates.

Exposure to exchange rate hedges-

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

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

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

Tax risks-

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

As of June 30, 2019, the consolidated Group had active tax credits amounting to EUR 135.3 million; of these, EUR 87 million corresponded to the tax consolidation group whose parent company is Prisa.

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

Intangible assets and goodwill-

As of June 30, 2019, the company had intangible assets recorded on its consolidated balance sheet amounting to EUR 125.8 million and goodwill of EUR 411.7 million. The analysis of the value of these assets and goodwill used estimates made to date, based on the best available information. It is possible that events which could occur in the future make it necessary to modify these estimates down. In this event, the impact of these new estimates in valuing intangible assets and goodwill will be registered on the future consolidated income statement.

Strategic and operational risks

Macroeconomic risks-

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

During the first half 2019, 59.1% of Group operating income came from international markets. Nevertheless, Spain continues to be the Group's main geographical market (representing 40.9% of Group operating income).

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

Decline in the advertising market-

An important part of Prisa's operating income comes from the advertising market, mainly in its television, press and radio businesses. As of June 30, 2019, advertising revenue represented 41.1% of Group operating income. Spending by advertisers tends to be cyclical and reflects the general economic situation and outlook.

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

Changes occurring to the tradition media business-

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

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

Competition risk-

Prisa's businesses operate in highly competitive sectors.

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

In the Education business, the Group also competes against traditional players and smaller businesses, online portals and digital operators offering alternative content and methodology. In addition, there is a growing trend towards access to open educational content through online sites, and the market for second-hand materials is growing. However, the number of schools that do not use books and that develop new content within the scope of their own curricular autonomy is increasing.

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

Country risk-

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

Regulatory risk-

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

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

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

Risk of concentration of sales in the public sector-

The main customers in the Group’s Education business are the governments and public bodies in the various jurisdictions where it operates.

This dependence on public administrations could represent a risk for the results and business of the Group if the economic situation of these countries deteriorated, if there were changes in regulations or in public policies.

Digital transformation process-

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

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

Moreover, the digital advertising business itself is subject to constant change. The emergence of digital advertising networks and markets, especially, disruptive methods of advertising auctions, is allowing advertisers to develop more personalized advertising and is putting downward pressure on prices. Likewise, there is a proliferation of technologies and applications that allow users to avoid digital advertising on web pages and mobile applications that visit.

Digital transformation imply several risks such as developing new products and services to respond to market trends, losing of value of contents within a digital environment, importance of technology to develop digital business or resistance to technological change in businesses of the Group.

Technology risk-

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

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

In this regard, the Group has externalized with several technology providers its information technology management service and the development of innovative projects at some Group companies. If this service provision ceases or the service was transferred to new suppliers, Group operations could be impacted.

Litigation and third-party claims risk-

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

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

Data protection-

The Group has a large amount of personal data at its disposal through development of its businesses, included those related to employees, readers and students. Therefore, the Group is subject to data protection regulations in different countries where it operates. Any violation of these regulations could have an adverse impact on the Group's business.

Intellectual property-

The Group's businesses depend, to a large extent, on intellectual and industrial property rights, including the brands, literary content or technology developed internally by the Group, among others. Brands and other intellectual and industrial property rights constitute one of the Group's pillars of success and ways to maintain a competitive advantage. However, there is the risk that third parties might, without the Company's authorization, attempt to unduly copy or obtain and use the content, services and technology developed by the Group.

In addition, in order to use third-party intellectual property rights, the Group has non-exclusive paid-for permission from management companies servicing the owners of these rights.

Likewise, recent technological advances have greatly facilitated the unauthorized reproduction and distribution of content through diverse channels, thereby hindering the execution of protection mechanisms associated with intellectual and industrial property rights.

3. OUTLOOK

I. BUSINESS SEASONALITY

In the first half of 2019, business developed in line with the company's expectations, with a performance comparable with the previous fiscal year, determined by the impact of the seasonality of the business.

As for the second half of 2019, an improvement in development is expected with a strong EBITDA and cash generation. In the Education area, public replenishment sales in Brazil and Mexico, the end of the campaign in Spain with new features, and a new order for public sales in Brazil in the fourth quarter are expected to be recorded (average cycle in 2019 versus low cycle in 2018). As for the rest of business, continuous growth is expected with a focus on improvements in aspects including efficiency and cost control, digital leadership and advertising growth. Possible sales of small, non-strategic assets are also expected for the second half of the year.

II. MACROECONOMIC ENVIRONMENT

The media sector is sensitive to changes in the main macroeconomic variables (GDP), consumption, and especially the advertising cycle. In addition, businesses such as Education and Radio, due to their international presence, are also affected by fluctuations in the currencies of the countries in which they operate. The economic management of the business will also be affected by the foreseeable evolution of these variables.

According to IMF figures (April 2019), growth forecasts for the Iberian economies are unchanged for 2019.

Meanwhile, the business activities and investments of Prisa in Latin America are vulnerable to changes in the different macroeconomic variables of each country, including variations in consumption as a result of possible accelerations or slowdowns in the growth rate in some of these countries or in the performance of the wider economies.

According to IMF data (April 2019), growth will continue in all the countries in which Prisa is present, except in Argentina (which continues to suffer the effects of the cuts, albeit to a lesser extent than in 2018), Venezuela, Ecuador, Puerto Rico and Nicaragua. According to this source, Brazil will grow at 2.1%, with notable increases in Colombia, Chile, Mexico and Peru.

Economic growth will affect the performance of the Group's businesses. The Group's results will also be influenced by the evolution of exchange rate. The Group's results in Latin America up to June were negatively affected by the weakness of the exchange rate in Argentina, Brazil and Colombia. It is expected that in 2019 depreciation will continue across most of Latin American currencies when compared with 2018.

III. ADVERTISING MARKET

Another factor that affects future performance is the advertising cycle. However, the Prisa Group’s exposure to the performance of the advertising market is limited due to the diversification of its revenues (advertising revenues accounted for 41.1% of the total at June 2019). Businesses reliant on advertising have a high percentage of fixed costs, so the increase in advertising revenue has a significant impact on their earnings, leading to an improvement in the margins and the Group’s cash position.

Digital advertising continues to increase. In particular, it increased by 11.3% in June 2019 and in the press business it now accounts for 55% of advertising revenues (51% in 2018). According to i2P figures (July 2019), it is expected that this growth trend will continue throughout 2019.

The advertising market in Spain grew by 1.3% in 2018, according to the i2P report. The estimation of this same source for the year 2019 shows a fall of the Spanish market of -1.5%, influenced by the decrease of advertising investment in television.

In Spain, the Group’s advertising revenues were up 4% in the first half of 2019, affected by the performance of Radio advertising (with both chain and local growth) and by digital advertising in Press. These effects offset the ongoing reduction in paper advertising. In 2019 it is expected that advertising revenues will continue to increase in line with digital growth and further improvements in Radio (both chain and local).

According to market reports, the Radio advertising sector in Latin America will grow by 3.9% in 2019. In the first half, Prisa Radio in Latin America fell 6.4% on a constant currency basis due to the impact of the elections in Colombia and the 2018 soccer World Cup in the first half of 2018. In 2019, Prisa Radio is expected to grow (at a constant exchange rate), especially in Colombia (supported by the effect of the regional elections in the last quarter and the Copa América football tournament in the summer).

In Portugal, the advertising market reported growth in 2018 in the free-to-air television segment (+1% according to internal estimates) and Internet segment (+23.3%), while in the radio sector it suffered a slight reduction (-1.7%). In the first half of 2019, Media Capital's advertising revenues has remained stable compared to the previous year. Good performance in radio and internet that offsets for the decrease in television linked to the fall of the free to air advertising market. In 2019, it is estimated that the market will continue to grow in the Internet segment, with modest growth in television, while for radio the market is expected to remain flat. Thus, Media Capital estimates growth above market forecasts.

IV. EDUCATION INDUSTRY

Prisa has other businesses less dependent on the economic cycle and advertising and which have continued to show their growth capacity, especially in Latin America, as is the case with Education, which in the first half of 2019 accounted for 44.8% of the total income of the Group and 61.7% of EBITDA (adjusted for the impact of the Mediapro ruling). In Latin America, revenues were down 19.7% in this same period (-18% at constant currency), due to the delay in the public sale in Mexico and Brazil to the second half of the year, the sale & lease back operation in Argentina and the effect of the sale of the USA business in 2018. Good performance of the business in Colombia (regular sales and education systems) and Peru (good performance of the regular campaign). Meanwhile, digital education systems (UNO, Compartir, Farias Brito, Educa and ESL) have continued to expand in Latin America, growing both in students and in invoicing. The performance in 2019 will depend largely, in regard to Systems, on the enrolment of students for systems, changes in exchange rates (currencies are expected to continue depreciating) and the expected growth in most countries, notably Spain (educational developments) and Brazil (year of average cycle of institutional sales).

V. DIGITAL ENVIRONMENT

Part of the Group's growth for 2019 will be supported by digital development. Digital audiences have experienced significant growth (175 million unique browsers at June 2019, showing growth of 14% on the same period of the previous year). The company will continue to focus on increasing digital development in 2019 at all its business units. In particular, our focus in the Press segment will be to maximise profits from flagship publications such as *El País* and *As*, not only in Spain but also in the American market.

The Group will also continue to work hard in 2019 on restructuring its balance sheet by reducing debt and focusing on cash generation.