Promotora de Informaciones, S.A.

Financial Statements for the year ended 31 December 2017 and Directors' Report, together with Independent Auditor's Report

Deloitte.

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Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain. In the event of a discrepancy, the Spanish-language version prevails.

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

To the Shareholders of Promotora de Informaciones, S.A.,

Report on the Financial Statements

Opinion

We have audited the financial statements of Promotora de Informaciones, S.A. (the Company), which comprise the balance sheet as at 31 December 2017, and the income statement, statement of changes in equity, statement of cash flows and notes to the financial statements for the year then ended.

In our opinion, the accompanying financial statements present fairly, in all material respects, the equity and financial position of the Company as at 31 December 2017, and its results and its cash flows for the year then ended in accordance with the regulatory financial reporting framework applicable to the Company (identified in note 2.a to the financial statements) and, in particular, with the accounting principles and rules contained therein.

Basis for Opinion

We conducted our audit in accordance with the audit regulations in force in Spain. Our responsibilities under those regulations are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We are independent of the Company in accordance with the ethical requirements, including those pertaining to independence, that are relevant to our audit of the financial statements in Spain pursuant to the audit regulations in force. In this regard, we have not provided any services other than those relating to the audit of financial statements and there have not been any situations or circumstances that, in accordance with the aforementioned audit regulations, might have affected the requisite independence in such a way as to compromise our independence.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

Evolution of the equity and financial structure of the Company

Description

As indicated in note 1.b to the accompanying financial statements, at 31 December 2017 the Company's equity for the purposes of the grounds for mandatory dissolution and/or capital reduction provided for in the Spanish Limited Liability Companies Law amounted to EUR 46,279 thousand, which is less than two-thirds of the share capital and, therefore, at 2017 year-end the Company was in a situation of mandatory reduction of capital. In this regard, on February 2018 has been subscribed and paid out a capital increase amounting to EUR 563,220 thousand, amount re-establishing the equity balance of the Company to date.

Additionally, as indicated in that note of the accompanying financial statements, at 31 December 2017 the Company's current liabilities were higher than its current assets, mainly due to the classification at short term of Tranche 2 of the Company's borrowings amounting to EUR 956,512 thousand, which matures in December 2018. In this context, on 22 January the Company has signed a framework refinancing agreement with all the financial creditors, which modifies the terms and conditions of the borrowings and allows the maturity thereof to be deferred.

The directors consider that this financial and equity restructuring process resolves financial situation, even though the effectiveness of the refinancing agreement is subject to certain conditions or cases of termination.

Procedures applied in the audit

The audit procedures performed in relation to the capital increase carried out by the Company included, among others, a comparison of the minutes of the Board of Directors meetings and General Meetings held to date, a request for documentation supporting the performance of the capital increase carried out after the reporting period, by means of obtaining and analysing the capital increase deed registered at the Mercantile Registry, and the obtainment and comparison of the bank statement reflecting the cash inflow amounting to EUR 563,220 thousand.

The audit procedures performed in relation to the signing of the framework refinancing agreement included, among others, obtaining and reviewing the aforementioned framework agreement entered into by the Company with all the financial creditors, as well as obtaining addenda and communications between the parties, in order to understand and assess the reasonableness of the binding nature of the agreement and to identify and assess the likelihood of the milestones and terms and conditions set forth therein being fulfilled up to the date of issue of our report in order to identify that either they have been fulfilled or their fulfilment is reasonably under the control of the Company, without there being any indication that they have not been fulfilled.

We also involved our internal legal experts in understanding and assessing certain contractual issues related to the transaction described above.

Evolution of the equity and financial structure of the Company

Description	Procedures applied in the audit
Since the assessment of the impacts of the above-mentioned aspects implies that estimates and assumptions are made by the directors, we have considered this as a key issue in our audit.	In addition, we assessed the adequacy of the disclosures provided in notes 1.b and 19 to the accompanying financial statements, in accordance with the applicable regulatory financial reporting framework, and checked whether the information disclosed is consistent with the analyses performed and the conclusions drawn by the directors.

Recoverability of deferred tax assets

Description	Procedures applied in the audit
The balance sheet as at 31 December 2017 includes a balance of EUR 263,441 thousand relating to deferred tax assets, of which EUR 263,116 thousand correspond to tax assets of the Spanish tax group of which the Company is the head. At 31 December 2017, the Company had an updated tax plan in order to assess the recoverability of the deferred tax assets recognised, taking into account new legislative developments and the most recently approved business plans for the various businesses. We identified this matter as key in our audit, since the preparation of this tax plan requires a significant level of judgement, largely in connection with the projections of the performance of the businesses, which affect the estimate of the recoverability of the tax assets corresponding to the Spanish tax group.	Our audit procedures included, among others, the review of the design and implementation of the controls considered relevant established by the directors for the assessment of the recoverability of the deferred tax assets recognised, as well as tests to verify that the aforementioned controls operate effectively. Additionally, we assessed the reasonableness of the criteria followed by Company's management, including the analysis of the key assumptions used, the consistency of the actual results obtained by the various business lines compared to those projected in the tax plan of the previous year, the obtainment of evidence of the approval of the budgeted results by the Board of Directors included in the tax plan, and we conducted an independent sensitivity analysis of changes in the key assumptions, as well an evaluation of the degree of compliance with the applicable tax legislation of the accounting for the tax assets included in the tax plan.

Recoverability of deferred tax assets	
Description	**Procedures applied in the audit**
	Also, we assessed the adequacy of the disclosures provided in notes 4.g and 19 to the financial statements required in connection with this matter by the applicable regulatory financial reporting framework.

Other Information: Directors' Report

The other information comprises only the directors' report for 2017, the preparation of which is the responsibility of the Company's directors and which does not form part of the financial statements.

Our audit opinion on the financial statements does not cover the directors' report. Our responsibility relating to the information contained in the directors' report is defined in the audit regulations in force, which establish two distinct levels thereof:

a) A specific level that applies to the non-financial information statement, as well as to certain information included in the Annual Corporate Governance Report, as defined in Article 35.2.b) of Spanish Audit Law 22/2015, which consists solely of checking that the aforementioned information has been provided in the directors' report, or, as the case may be, that the directors' report contains the corresponding reference to the separate report on non-financial information as provided for in the above legislation and, if this is not the case, reporting this fact.

b) A general level applicable to the other information included in the directors' report, which consists of evaluating and reporting on whether the aforementioned information is consistent with the financial statements, based on the knowledge of the entity obtained in the audit of those financial statements and excluding any information other than that obtained as evidence during the audit, as well as evaluating and reporting on whether the content and presentation of this section of the directors' report are in conformity with the applicable regulations. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report that fact.

Based on the work performed, as described above, we have checked that the information described in section a) above is provided in the directors' report and that the other information in the directors' report is consistent with that contained in the financial statements for 2017 and its content and presentation are in conformity with the applicable regulations.

Responsibilities of the Directors and of the Audit Committee for the Financial Statements

The directors are responsible for preparing the accompanying financial statements so that they present fairly the Company's equity, financial position and results in accordance with the regulatory financial reporting framework applicable to the Company in Spain, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The audit committee is responsible for overseeing the process involved in the preparation and presentation of the financial statements.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the audit regulations in force in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is included in Appendix I to this auditor's report. This description, which is on pages 7 and 8, forms part of our auditor's report.

Report on Other Legal and Regulatory Requirements

Additional Report to the Audit Committee

The opinion expressed in this report is consistent with the content of our additional report to the Company's audit committee dated 22 March 2018.

Engagement Period

The Annual General Meeting held on 30 June 2017 appointed us as auditors for a period of one year from the year ended 31 December 2016, i.e. for 2017.

Previously, we were designated pursuant to a resolution/resolutions of the General Meeting for the period of one year and have been auditing the financial statements uninterruptedly since the year ended 31 December 1990, taking into account the content of Article 17.8 of Regulation (EU)

No 537/2014 on specific requirements regarding statutory audit of public-interest entities and, therefore, since the year ended 31 December 2000, the year in which the Company became a Public Interest Entity.

DELOITTE, S.L.
Registered in ROAC under no. S0692

Jesús Mota Robledo
Registered in ROAC under no. 21342

22 March 2018

Appendix I to our auditor's report

Further to the information contained in our auditor's report, in this Appendix we include our responsibilities in relation to the audit of the financial statements.

Auditor's Responsibilities for the Audit of the Financial Statements

As part of an audit in accordance with the audit regulations in force in Spain, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the use by the directors of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the entity's audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the entity's audit committee with a statement that we have complied with relevant ethical requirements, including those regarding independence, and we have communicated with it to report on all matters that may reasonably be thought to jeopardise our independence, and where applicable, on the related safeguards.

From the matters communicated with the entity's audit committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

PROMOTORA DE INFORMACIONES, S.A. (PRISA)

Individual Financial Statements and Directors' Report for 2017

PROMOTORA DE INFORMACIONES, S.A. (PRISA)

Individual Financial Statements for 2017

PROMOTORA DE INFORMACIONES, S.A. (PRISA)
BALANCE SHEET AT DECEMBER 31, 2017
(in thousands of euros)

ASSETS	Year 2017	Year 2016
A) NON-CURRENT ASSETS	**908,769**	**1,318,856**
I. INTANGIBLE ASSETS (Note 5)	254	327
1. Computer software	254	327
II. PROPERTY, PLANT AND EQUIPMENT (Note 6)	848	862
1. Other fixtures and furniture	161	193
2. Other items of property, plant and equipment	687	669
III. NON-CURRENT INVESTMENTS IN GROUP COMPANIES AND ASSOCIATES (Note 7.1)	643,232	1,033,891
1. Equity instruments	643,232	1,033,891
IV. NON-CURRENT FINANCIAL ASSETS (Note 7.1)	994	1,175
1. Equity instruments	981	1,162
2. Other financial assets	13	13
V. DEFERRED TAX ASSETS (Note 9)	263,441	282,601
B) CURRENT ASSETS	**362,011**	**43,945**
I. NON CURRENT ASSETS HELD FOR SALE (Note 7.2)	310,309	-
II. TRADE AND OTHER RECEIVABLES	5,770	2,563
1. Trade receivables for services (Note 7.1)	-	61
2. Receivable from Group companies and associates (Notes 7.1 and 15)	3,516	2,260
3. Employee receivables (Note 7.1)	3	5
4. Tax receivables (Note 9)	2,061	206
5. Other receivables (Note 7.1)	190	31
III. CURRENT INVESTMENTS IN GROUP COMPANIES AND ASSOCIATES (Notes 7.1 and 15)	36,217	34,296
1. Loans to companies	36,217	34,296
IV. CURRENT FINANCIAL INVESTMENTS (Note 7.1)	6,500	4,188
1. Other financial assets	6,500	4,188
V. CURRENT PREPAYMENTS AND ACCRUED INCOME	1,683	1,189
VI. CASH AND CASH EQUIVALENTS	1,532	1,709
1. Cash	1,532	1,709
TOTAL ASSETS	**1,270,780**	**1,362,801**

EQUITY AND LIABILITIES	Year 2017	Year 2016
A) EQUITY (Note 8)	**(467,135)**	**(343,091)**
A-1) Shareholders' equity	**(467,218)**	**(343,310)**
I. SHARE CAPITAL	83,498	235,008
II. SHARE PREMIUM	95,002	1,371,299
III. OTHER EQUITY INSTRUMENTS	46,408	130,700
IV. RESERVES	(96,714)	122,942
1. Legal and bylaw reserves	7,050	17,220
2. Other reserves	(103,764)	105,722
V. LOSS FROM PREVIOUS YEARS	(463,120)	(2,200,226)
VI. TREASURY SHARES	(694)	(1,735)
VII. PROFIT (LOSS) FOR THE YEAR	(131,598)	(1,298)
A-2) Value adjustments	**83**	**219**
I. AVAILABLE-FOR-SALE FINANCIAL ASSETS (Note 7.1)	83	219
B) NON-CURRENT LIABILITIES	**738,170**	**1,665,489**
I. LONG-TERM PROVISIONS (Note 12)	19,760	25,158
II. NON-CURRENT PAYABLES (Note 7.3)	623,756	1,544,453
1. Bank borrowings	623,756	1,544,453
III. NON-CURRENT PAYABLES TO GROUP COMPANIES AND ASSOCIATES (Notes 7.3 and 15)	94,626	94,171
IV. DEFERRED TAX LIABILITIES (Note 9)	28	1,707
C) CURRENT LIABILITIES	**999,745**	**40,403**
I. CURRENT PAYABLES (Note 7.3)	948,850	212
1. Bank borrowings	948,850	212
II. CURRENT PAYABLES TO GROUP COMPANIES AND ASSOCIATES (Notes 7.3 and 15)	34,285	23,866
III. TRADE AND OTHER PAYABLES	16,610	16,325
1. Payable to suppliers (Note 7.3)	42	42
2. Payable to suppliers, Group companies and associates (Notes 7.3 and 15)	347	310
3. Sundry accounts payable (Note 7.3)	13,974	13,421
4. Remuneration payable (Note 7.3)	1,717	1,901
5. Tax payables (Note 9)	530	651
TOTAL EQUITY AND LIABILITIES	**1,270,780**	**1,362,801**

The accompanying Notes 1 to 20 and Appendices I and II are an integral part of the balance sheet at December 31, 2017

Translation of financial statements originally issued in Spanish and prepared in accordance with generally accepted accounting principles in Spain (see Notes 2 and 20). In the event of a discrepancy, the Spanish-language version prevails.

PROMOTORA DE INFORMACIONES, S.A. (PRISA)
INCOME STATEMENT FOR YEAR 2017
(in thousands of euros)

	Year 2017	Year 2016
A) CONTINUING OPERATIONS		
1. Revenue		
a) Services *(Note 15)*	7,499	11,430
b) Income from equity investments *(Note 15)*	12,279	10,579
2. Other operating income	-	949
3. Staff costs		
a) Wages, salaries and similar expenses	(9,418)	(6,337)
b) Employee benefit costs *(Note 10)*	(606)	(804)
4. Other operating expenses		
a) Outside services *(Note 10)*	(16,656)	(19,762)
b) Taxes other than income tax	(64)	(8,692)
c) Impairment and other losses	(25)	5
5. Depreciation and amortization charge *(Notes 5 and 6)*	(284)	(722)
6. Ohter results (Note 10)	4,634	-
PROFIT/LOSS FROM OPERATIONS	**(2,641)**	**(13,354)**
7. Finance income		
a) From loans to Group companies and associates (*Note 15*)	5	1,627
b) Other finance income	1,497	39,390
8. Finance costs and similar expenses:		
a) On debts to Group companies *(Note 15)*	(714)	(2,085)
b) On debts to third parties and similar expenses	(53,969)	(77,875)
9. Exchange differences	(246)	3
10. Impairment of financial instruments		
a) Impairment and other losses (*Notes 7.1 and 12*)	(2,376)	55,567
FINANCIAL LOSS *(Note 11)*	**(55,803)**	**16,627**
LOSS BEFORE TAX	**(58,444)**	**3,273**
11. Income tax *(Note 9)*	17,101	(11,419)
PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS	**(41,343)**	**(8,146)**
B) DISCONTINUED OPERATIONS (Note 7.2)	(90,255)	6,848
PROFIT/(LOSS) FOR THE YEAR	**(131,598)**	**(1,298)**

The accompanying Notes 1 to 20 and Appendices I and II are an integral part of the income statement for year 2017

PROMOTORA DE INFORMACIONES, S.A.
STATEMENT OF CHANGES IN EQUITY FOR YEAR 2017

A) STATEMENT OF COMPREHENSIVE INCOMES AND EXPENSES FOR YEAR 2017

(in thousands of euros)

	Year 2017	Year 2016
A) Profit/(Loss) per income statement	**(131,598)**	**(1,298)**
Income and expense recognized directly in equity (Note 7.1)	**(136)**	**88**
Arising from revaluation of financial instruments	(181)	117
Tax effect	45	(29)
B) Total income and expense recognized directly in equity	**(131,734)**	**(1,210)**
C) Total transfers to profit or loss	**-**	**-**
TOTAL RECOGNIZED INCOME AND EXPENSE	**(131,734)**	**(1,210)**

The accompanying Notes 1 to 20 and Appendix I and II are an integral part of the statement of comprehensive incomes and expenses for year 2017

PROMOTORA DE INFORMACIONES, S.A.
STATEMENT OF CHANGES IN EQUITY FOR YEAR 2017

B) TOTAL STATEMENT OF CHANGES IN EQUITY FOR YEAR 2017
(in thousands of euros)

(in thousands of euros)	Share capital	Share premium	Other Equity Instruments	Legal reserve	Statutory reserves	Revaluation reserves	Reserves for treasury shares	Reserves for retired capital	Reserves for merger	Voluntary reserves	Loss from previous years	Reserves for variation in financial assets	Reserves for first-time application of the new Spanish national chart of accounts	Reserves	Treasury shares	Profit (Loss) for the year	Equity
Balance at December,31 2015	**235,008**	**1,371,299**	**46,408**	**5,335**	**11,885**	**13,939**	**2,386**	**1,495**	**(85,639)**	**163,448**	**(2,195,064)**	**131**	**6,873**	**(2,075,211)**	**(2,386)**	**(5,162)**	**(430,044)**
I. Total recognized income and expense																	
1. Profit (Loss) for the year																(1,298)	(1,298)
2. Valuation of finacial instruments												88		88			88
II. Transactions with shareholders or owners																	
1. Capital Increases																	
- Share Capital																	
- Share Premium																	
2. Conversion of financial liabilities into equity			84,292														84,292
3. Issuance of equity instruments																	
4. Conversion of equity instruments into shareholder´s equity																	
5. Distribution of 2015 profit																	
- Loss from previous years											(5,162)			(5,162)		5,162	-
6. Treasury share transactions																	
- Delivery of treasury shares							(777)			777				-	777		777
- Purchase of treasury shares																	
- Sales of treasury shares																	
- Provision for treasury shares							126							126	(126)		-
III. Other changes in equity																	
- Other										3,094				3,094			3,094
Balance at December,31 2016	**235,008**	**1,371,299**	**130,700**	**5,335**	**11,885**	**13,939**	**1,735**	**1,495**	**(85,639)**	**167,319**	**(2,200,226)**	**219**	**6,873**	**(2,077,065)**	**(1,735)**	**(1,298)**	**(343,091)**
I. Total recognized income and expense																	
1. Profit (Loss) for the year																(131,598)	(131,598)
2. Valuation of finacial instruments												(136)		(136)			(136)
II. Transactions with shareholders or owners																	
1. Capital Increases / Decreases																	
- Share Capital	(161,372)			7,050							154,322			161,372			
- Share Premium																	
2. Conversion of financial liabilities into equity	9,862	95,052	(84,292)							(20,622)				(20,622)			-
3. Issuance of equity instruments																	
4. Conversion of equity instruments into shareholder´s equity																	
5. Distribution of 2016 profit																	
- Loss from previous years											(1,298)			(1,298)		1,298	-
6. Treasury share transactions																	
- Delivery of treasury shares							(366)			366				-	366		366
- Purchase of treasury shares														-	-		
- Sales of treasury shares																	
- Provision for treasury shares							(675)							(675)	675		-
III. Other changes in equity																	
- Other		(1,371,349)		(5,335)	(11,885)	(13,939)		(1,495)		(165,882)	1,584,082		(6,873)	1,378,673			7,324
Balance at December,31 2017 *(Note 8)*	**83,498**	**95,002**	**46,408**	**7,050**	**-**	**-**	**694**	**-**	**(85,639)**	**(18,819)**	**(463,120)**	**83**	**-**	**(559,751)**	**(694)**	**(131,598)**	**(467,135)**

The accompanying Notes 1 to 20 and Appendices I and II are an integral part of the total statement of changes in equity for year 2017

PROMOTORA DE INFORMACIONES, S.A.
STATEMENT OF CASH FLOW FOR YEAR 2017
(in thousands of euros)

	Year 2017	Year 2016
A) CASH FLOWS FROM OPERATING ACTIVITIES		
1. Loss for the year before tax	**(58,444)**	**10,121**
2. Adjustments for	**43,808**	**(45,047)**
a) Depreciation and amortization charge (+)	284	722
b) Impairment of non-current financial assets (+/-)	2,645	(62,710)
Impairment losses recognised for financial assets	240	(68,005)
Period provisions for contingencies and charges	2,000	5,295
Provision of credit provisions	405	-
c) Finance income (-)	(1,504)	(41,069)
d) Finance costs (+)	54,931	80,008
e) Dividends received	(12,279)	(10,579)
f) Income tax	-	(11,419)
g) Results due to disposals and disposals of financial instruments	(269)	-
3. Changes in working capital	**(587)**	**79,784**
a) Trade and other receivables (+/-)	(1,362)	1,096
b) Current prepayments and acrrued income	490	1,120
c) Current financial assets	-	60,926
d) Trade and other payables (+/-)	285	(3,007)
e) Change in deferred taxes (+/-)	-	19,541
f) Change in non-current assets and liabilities (+/-)	-	108
4. Other cash flows from operating activities	**8,126**	**(15,054)**
a) Interest paid (-)	(26,596)	(29,015)
b) Dividends received (+)	12,269	10,579
c) Interest received (+)	17	4,423
d) Income tax recovered (paid) (+/-)	21,974	8,636
e) Other amounts received (paid) relating to operating activities (+/-)	462	(9,677)
5. Cash flows from operating activities (+/-1+/-2+/-3+/-4)	**(7,097)**	**29,804**
B) CASH FLOWS FROM INVESTING ACTIVITIES		
6. Payments due to investment (-)	(8,464)	(65,214)
7. Proceeds from disposal (+)	2,893	34,880
8. Cash flows from investing activities (7-6)	**(5,571)**	**(30,334)**
C) CASH FLOWS FROM FINANCING ACTIVITIES		
9. Proceeds and payments relating to equity instruments	(50)	(1,131)
10. Proceeds and payments relating to bank borrowings	-	(120,128)
11. Proceeds and payments relating to borrowings from Group companies	12,085	(127,717)
12. Proceeds and payments relating to other financing activities	456	-
13. Cash flows from financing activities (+/-9+/-10-11-12)	**12,491**	**(248,976)**
D) NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS (+/-A+/-B+/-C)	**(177)**	**(249,506)**
Cash and cash equivalents at beginning of year	1,709	251,215
Cash and cash equivalents at end of year	1,532	1,709

The accompanying Notes 1 to 20 and Appendix I and II are an integral part of the statement of cash flows for year 2017

PROMOTORA DE INFORMACIONES, S.A. (PRISA)

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR 2017

1.- COMPANY ACTIVITIES AND PERFORMANCE

a) Company activities

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

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

In addition to the business activities carried on directly by it, the Company heads a group of subsidiaries, joint ventures and associates which engage in a variety of business activities and which compose the Group ("the Prisa Group" or "the Group"). Therefore, in addition to its own separate financial statements, Prisa is obliged to present consolidated financial statements for the Group.

The Group's consolidated financial statements for 2016 were approved by the shareholders at the Annual General Shareholders' Meeting held on June 30, 2017 and deposited in the Mercantile Register of Madrid.

The consolidated financial statements for 2017 were authorized for issue by the Company's Directors on March 22, 2018.

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

The shares of Prisa are admitted to trading on the continuous market of the Spanish Stock Exchanges (Madrid, Barcelona, Bilbao and Valencia).

b) Evolution of the equity and financial structure of the Company

At the end of 2017, the Company´s main financial commitment is the maturity of EUR 956,512 thousand in December 2018 (tranche 2 of the Company's financial debt). This amount is recorded as a current liability on the balance sheet as of December 31, 2017.

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

In this regards, on April 1, 2016, the Prisa Annual General Shareholders' Meeting approved the issuance of bonds mandatorily convertible into newly-issued ordinary shares through swapping the company's financial debt. The issuance was subscribed in April 2016, with debt amounting to EUR 100,742 thousands being cancelled. These bonds were early converted into shares in October 2017 (*see note 8*).

Likewise, the General Shareholders' Meeting of the Company held on November 15, 2017 approved a capital increase amounting to EUR 450,000 thousand; this amount was subsequently extended by the Board of Directors of the Prisa on January 22, 2018, in EUR 113,220 thousand. In February 2018, the capital increase was subscribed and paid out in the amount of EUR 563,220 thousand *(see notes 8 and 19).*

In addition, and in order to strengthen the financial structure of the Company, on July 13, 2017, the Board of Directors of Prisa accepted a binding offer put forward by Altice NV for the sale of Vertix SGPS, S.A. ('Vertix'), owner of Grupo Media Capital, SGPS, S.A. ('Media Capital') for an approximate price in line with the company's best estimates (equity value) of around EUR 321,499 thousand. The transaction was authorized in September 2017 by the company's financial creditors and by the Annual General Shareholders' Meeting in November. The transaction is subject to the mandatory authorization of the Portuguese competition authorities. This agreement meant an accounting loss at the Company for EUR 89,269 thousand in 2017 (*see note 7.2*).

Finally, on January 22, 2018, the company signed a framework agreement with all the financial creditors of the *Override Agreement* (Agreement for the refinancing of the Company´s debt signed in December 2013) to refinance and modify the terms of Prisa's current financial debt (the Refinancing). The effectiveness of that agreement is subject to, among other conditions, debt being cancelled to EUR 450,000 thousand from proceeds arising from the capital increase described above at the time the refinancing comes into effect (*see note 7.3*). The basic terms of the Refinancing agreement include the extension of the debt maturity until November and December 2022 and no mandatory repayments until December 2020 *(see note 19).* With the entry into force of the Refinancing agreement, the Company's financial debt would therefore have a long-term maturity, which will mean an improvement in the working capital and the Company's financial structure.

In relation to the Company's financial position, mainly as a result of the accounting result of the Vertix sale agreement described above, in August 2017 the net equity of Prisa with respect to the cause of dissolution stipulated in Spain's Corporate Enterprises Act stood below half of total share capital, so the General Shareholders' Meeting of Prisa approved, on November 15, 2017 a series of reserve and share capital reductions aimed to reestablish the situation of equity balance with respect to the cause of dissolution (*see note 8*).

As of December 31, 2017, the equity of the Company with respect to the cause of dissolution and/or reduction of capital stipulated in Spain's Corporate Enterprises Act (including participating loans outstanding at year-end *(see note 7.3*) stood at EUR 46,279 thousand, below two thirds of total share capital, although representing over half of share capital. In this sense, the company has an imbalanced equity situation in terms of the obligation to reduce share capital in the period of one year. In this regard, as mentioned in this section, in February 2018 a capital increase of EUR 563,220 thousand was subscribed and paid out. This amount has restored the equity balance of the Company.

Likewise, the Company's current liabilities at December 31, 2017 are higher than current assets, mainly due to the short-term classification of Tranche 2 of the Group's financial debt amounting to EUR 956,512 thousand. At December 31, 2017 the Company has a negative working capital amounting to EUR 637,734 thousand, and an amount of EUR 948,043 thousand without taking into account the non-current asset held for sale.

The Company's Directors believe that the funds from the capital increase and the framework refinancing agreement describe above will suffice to cover payment of the debts on their maturity date (*see notes 7.3 and 19).*

As a consequence of the factors set out above, the Directors have applied the going concern principle.

2.- BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS

a) Fair presentation

The accompanying financial statements for 2017, which were obtained from the Company's accounting records, are presented in accordance with the regulatory framework for financial reporting applicable and, in particular, the accounting principles and criteria contained herein, presenting fairly the Company's equity, financial position, and of the results of its operations, the changes in its equity and the cash flows generated by the Company in the year then ended. The regulatory framework for financial reporting applicable considered is:

1. The Commercial Code and other corporate legislation.
2. Royal Decree 1514/2007, approving the Spanish National Chart of Accounts, which has been modified through Royal Decree 602/2016 of December 2 and its sectoral adaptions.
3. The obligatory legislation approved by the Institute of Accounting and Auditors of Accounts in development of the Spanish General Chart of Accounts and its complementary legislation.
4. Other applicable Spanish legislation.

These financial statements, which were formally prepared by the Company's directors on March 22, 2018, will be submitted for approval by the shareholders at the Annual General Shareholders' Meeting and it is considered that they will be approved without any changes. The 2016 financial statements were approved by the shareholders at the Annual General Shareholders' Meeting held on June 30, 2017.

b) Comparison of information

In accordance with company legislation, each item of the balance sheet, income statement, statement of changes in net equity and cash flow statement for 2017 is shown with the figure for 2016 for comparison purposes. The notes to the financial statements also include quantitative information of the previous year, unless an accounting standard specifically establishes otherwise.

In July 2017, as a result of the agreement with Altice NV for the sale of Vertix SGPS, S.A. (*see notes 1b and 7.2*), the results of Vertix were reclassified to the caption "*Discontinued operations*" For comparative purposes, the accompanying income statement as of December 31, 2016 has been modified to present Vertix as an discontinued operation.

c) Non-obligatory accounting principles

No non-obligatory accounting principles were applied. Also, all obligatory accounting principles were applied.

d) Key issues in the measurement and estimation of uncertainty

The information in these financial statements is the responsibility of the Company's directors.

In the accompanying financial statements for 2017 estimates were occasionally made by executives of the Company in order to quantify certain assets, liabilities, income, expenses and obligations reported herein. These estimates relate basically to the following:

- The measurement of assets to determine the possible existence of impairment losses *(see Notes 4c, 4d and 7.1)*.
- The useful life of property, plant, and equipment, and intangible assets *(see Notes 4a and 4b)*.
- The hypotheses used to calculate the fair value of financial instruments *(see Note 7)*.
- The assessment of the likelihood and amount of undetermined or contingent liabilities (*see Notes 4i and 12)*.
- The recoverability of deferred tax assets *(see Note 9)*.
- Provisions for unissued and outstanding invoices.

Although these estimates were made on the basis of the best information available at the date of preparation of these consolidated financial statements on the events analysed, it is possible that events that may take place in the future force them to modify them, upwards or downwards. Changes in accounting estimates would be applied prospectively, recognizing the effects of the change in estimates in the future related income statements, as well as in assets and liabilities.

In 2017, there were no significant changes in the accounting estimates made at the end of 2016.

3.- ALLOCATION OF RESULT

The proposal for the distribution of the Company's loss for 2017 approved by the Company's Directors is the following (in thousands of euros):

	Amount
Basis of appropriation-	
Loss for the year	(131,598)
Distribution-	
At loss from previous years	(131,598)

4.- ACCOUNTING POLICIES

As indicated in Note 2, the Company applied accounting policies in accordance with the accounting principles and rules contained in the Code of Commerce, developed in the valid General Chart of Accounts (PGC 2007), and other corporate legislation in force as at the closing date of these financial statements. In this sense, the policies that specifically apply to the Company's activity and those considered meaningful according to the nature of its activities are detailed below.

a) Intangible assets

Intangible assets are recognized initially at acquisition or production cost and are subsequently measured at cost less any accumulated amortization and any accumulated impairment losses. Only assets whose cost can be estimated objectively and from which the Company considers it probable that future economic benefits will be generated are recognized. These assets are amortized over their years of useful life. When the useful lives of these assets can not be estimated reliably they are amortized over a period of ten years according to Royal Decree 602/2016 of December 2.

The "*Industrial property*" account includes the amounts paid for acquiring the right to use or register certain brands. These rights are amortized at a rate of 20% per year using the straight-line method.

"*Computer software*" includes the amounts paid to develop specific computer programs or the amounts incurred in acquiring from third parties the licenses to use programs. Computer software is amortized using the straight-line method over a period ranging from four to six years, depending on the type of program or development, from the date on which it is brought into service.

b) Property, plant and equipment

Property, plant and equipment are carried at cost, net of the related accumulated depreciation and of any impairment losses.

The costs of expansion, modernization or improvements leading to increased productivity, capacity or efficiency or to a lengthening of the useful lives of the assets are capitalized.

Period upkeep and maintenance expenses are charged directly to the income statement for the year in which they are incurred.

Property, plant and equipment are depreciated by the straight-line method at annual rates based on the years of estimated useful life of the related assets, the detail being as follows:

	Years of estimated useful life
Other fixtures and furniture	10
Other items of property, plant and equipment	4-10

c) Impairment losses

At each reporting date the Company reviews there is any indication that those assets might have suffered an impairment loss and, if any such indication exists, checks through the determined "impairment test" the possible existence of value losses that reduce the recoverable value of said assets to an amount lower than their book value.

Recoverable amount is the higher of fair value less costs to sell and value in use. Value in use is taken to be the present value of the estimated future cash flows to derive from the asset based on the most recent budgets approved by management.

If the recoverable amount is lower than the asset's carrying amount, the related impairment loss is recognized in the income statement for the difference.

Impairment losses recognized on an asset in previous years are reversed when there is a change in the estimate of its recoverable amount by increasing the carrying amount of the asset up to the limit of the carrying amount that would have been determined had no impairment loss been recognized for the asset. The reversal of the impairment loss is recognized immediately as income in the consolidated income statement.

d) Financial instruments

As the head of the Group, the Company prepares consolidated financial statements. The 2017 consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRSs) as approved by European Commission Regulations. The main aggregates of the PRISA Group's consolidated financial statements for 2017 prepared in accordance with IFRSs, are as follows:

	Thousands of euros
Total assets	1,923,079
Equity	(485,911)
Loss for the year attributed to the parent company	(102,915)

Financial assets-

The financial assets held by the Company are classified in the following categories:

- ***Equity investments in Group companies, jointly controlled entities and associates:*** Group companies are those related to the Company by a control relationship, and associated companies those on which the Company exercises a significant influence. Additionally, within the category of multi-group companies are included those over which, under an agreement, joint control is exercised with one or more partners.

- ***Loans and receivables***: These are financial assets originating from the sale of goods or from the provision of services during the company's traffic operations or those that, not having have any commercial substance, are not equity instruments or derivatives and have fixed or determinable payments and are not traded in an active market.

- ***Held-to-maturity investments***: securities representing debt, with fixed maturity date and collections of a determinable amount, which are traded in an active market and on which the Company expresses its intention and capacity to keep them in its possession until the expiration date.

- ***Available-for-sale financial assets:*** The Company classifies in this category the debt securities and equity instruments of other companies that have not been classified in any of the above categories.

Initial measurement

Financial assets are recorded, in general terms, initially at the fair value of the consideration given plus the transaction costs that are directly attributable.

In the case of investments in the equity of Group companies that grant control over the subsidiary, the fees paid to legal advisors or other professionals related to the acquisition of the investment are charged directly to the profit and loss account.

Subsequent measurement

Equity investments in Group companies, jointly controlled entities and associates

Equity investments in Group companies, jointly controlled entities and associates are measured at cost, net, where appropriate, of any accumulated impairment losses. The amount of the adjustment for impairment is the difference between the carrying amount and recoverable amount, taken to be the higher of fair value less costs to sell and the present value of the estimated future cash flows from the investment. Unless there is a better evidence of the recoverable amount is taken in consideration the equity of the investee, adjusted by the amount of the unrealized gains existing at the measurement date (including any goodwill).

Loans and receivables

These assets are recognized at amortized cost, i.e. cash delivered less principal repayments, plus accrued interest receivable, in the case of loans, and the present value of the related consideration in the case of receivables.

The Company recognizes the related impairment allowance for the difference between the recoverable amount of the receivables and their carrying amount.

Held-to-maturity investments

They are carried at amortized cost.

Available-for-sale financial assets

Available-for-sale financial assets are recognized at fair value without deducting any transaction costs that might be incurred on disposal. Changes in the fair value are recognized directly in equity until the financial asset is derecognised or becomes impaired, at which time the amount thus recognised is allocated to the income statement. In this sense, there is a presumption that impairment exists if there has been a fall of more than 40 % of the value of the asset or if there has been a decrease of the same extended over a period of a year and a half without recover its value.

Cash and cash equivalents-

"Cash and cash equivalents" in the balance sheet includes cash on hand and at banks, demand deposits and other short-term highly liquid investments that are readily convertible into cash and are not subject to a risk of changes in value.

Financial liabilities-

Loans and payables

Loans, bonds and other similar liabilities are carried at the amount received, net of transaction costs. Interest expenses, including premiums payable on settlement or redemption and transaction costs, are recognized in the consolidated income statement on an accrual basis using the effective interest method. The amount accrued and not paid is added to the carrying amount of the instrument if settlement is not made in the accrual period.

Accounts payable are recognized initially at market value and are subsequently measured at amortized cost using the effective interest method.

The Company derecognizes financial liabilities when the obligations that generated them have been extinguished.

Compound financial instruments

Compound financial instruments are non-derivative instruments that have both a liability and an equity component.

The Company recognizes, measures and presents separately the liability and equity components created by a single financial instrument.

The Company distributes the value of its instruments in accordance with the following criteria which, barring error, will not be subsequently reviewed:

a. The liability component is recognized by measuring the fair value of a similar liability that does not have an associated equity component.
b. The equity component is measured at the difference between the initial amount and the amount assigned to the liability component.
c. The transaction costs are distributed in the same proportion.

Treasury shares-

Treasury shares are measured at acquisition cost with a debit balance under *"Equity."* Gains and losses on the acquisition, sale, issue, retirement or impairment of treasury shares are recognized directly in equity in the accompanying balance sheet.

e) Profit (loss) from discontinued operations

A discontinued operation is a component of the Company that has been disposed of by other means, or is classified as 'held for sale' and, among other conditions, represents a separate major line of business which can be considered separate from the rest.

The Company presents this type of operations in the income statement under a single heading entitled "*Profit (or loss) from discontinued operations, net of tax*", including the profit (or loss) from discontinued operations net of tax recognized at fair value less costs to sell or disposal or of the assets that constitute the discontinued operation.

Additionally, when operations are classified as discontinued, the Company will re-present the disclosures described above for prior periods presented in the financial statements so that the disclosures relate to all operations that have been discontinued by the end of the reporting period for the latest period presented.

f) Foreign currency transactions

Foreign currency transactions are translated to the Company's functional currency (euros) at the exchange rates ruling at the transaction date. During the year, differences arising between the result of applying the exchange rates initially used and that of using the exchange rates prevailing at the date of collection or payment are recognized as finance income or finance costs in the income statement.

At the end of the reporting period, foreign currency on hand and the receivables and payables denominated in foreign currencies are translated to euros at the exchange rates then prevailing. Any gains or losses on such translation are recognized in the income statement.

g) Income tax

Income tax expense (tax income) represents the sum of the current tax expense (current tax income) and the deferred tax expense (deferred tax income).

The current income tax expense is the amount payable by the Company as a result of income tax settlements for a given year. Tax credits and other tax benefits, excluding tax withholdings and prepayments and tax loss carryforwards from prior years effectively offset in the current year, reduce the current income tax expense.

The deferred tax expense or income relates to the recognition and derecognition of deferred tax assets and liabilities.

Deferred tax assets and liabilities arise from temporary differences defined as the amounts expected to be payable or recoverable in the future which result from differences between the carrying amounts of assets and liabilities and their tax bases. These amounts are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled.

Deferred tax assets may also arise from the carryforward of unused tax loss and generated and unused tax credits and non-deductibles financial expenses.

Deferred tax assets are recognized to the extent that it is considered probable that the Company will have sufficient taxable profits in the future against which those assets can be utilized and the deferred tax assets do not arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit (loss) nor taxable profit (loss).

The deferred tax assets recognized are reassessed at the end of each reporting period and the appropriate adjustments are made to the extent that there are doubts as to their future recoverability. Also, unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that they will be recovered through future taxable profits.

Deferred tax liabilities are recognized for all taxable temporary differences, except for those arising from the initial recognition of goodwill or of other assets and liabilities in a transaction that is not a business combination and affects neither accounting profit (loss) nor taxable profit (tax loss).

Current and deferred tax assets and liabilities arising from transactions charged or credited directly to equity are also recognized in equity.

Royal Decree-Law 3/2016, of 2 December, modified the transitional provision sixteenth (DT 16) of Law 27/2014, of November 27, on Corporate Income Tax, a provision that establishes the transitional regime applicable to the fiscal reversion of losses for impairment generated in periods before January 1, 2013. Under the new regulations, with effect for tax periods beginning on or after January 1, 2016, the reversal of said losses shall comprise at least equal parts in the tax base corresponding to each of the first five tax periods commencing from that date.

To the extent in which the values of the Company affected by this rule have no impediment, in practice, in order to be able to be transmitted before the end of the period of five years, as there are no severe restrictions on their transferability, whether legal, contractual or of other types, these fiscal adjustments have been considered as permanent differences in the Company and, consequently, one fifth of the corresponding Corporate Tax expense has been recognized as payable as a tax liability to the Treasury.

The Company files consolidated tax returns as Parent of tax group number 2/91 as permitted by the Consolidated Spanish Corporation Tax Law approved by Legislative Royal Decree 4/2004, of March 5.

As Parent of the group, the Company recognizes the adjustments relating to the consolidated tax group.

h) Income and expenses

Revenue and expenses are recognized on an accrual basis, regardless of when the resulting monetary or financial flow arises.

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for the goods and services provided in the normal course of business, net of discounts, VAT and other sales-related taxes.

Income from services rendered is recognized considering the degree of realization of the benefit on the date of balance, provided that the result of the transaction can be estimated reliably.

Interest incomes from financial assets are recognized using the effective interest method and dividend incomes are recognized when the shareholder's right to receive payment has been established.

In application of the criterion stated by the Spanish Accounting and Auditing Institute in relation to the determination of the turnover in holding companies (answer to consultation published in its Official Gazette of September 2009), they are included as an integral part of the amount of the turnover dividends as well as the income from rendering services, from its subsidiaries.

i) Provisions and contingencies

The present obligations at the balance sheet date arising from past events which could give rise to a loss for the Company, which is uncertain as to its amount and timing are recognized as provisions in the balance sheet at the present value of the most probable amount that it is considered that the Company will have to pay to settle the obligation (*see Note 12*).

Contingent liabilities are possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company. Unless considered as remote, contingent liabilities are not recognized in Annual Accounts, but are informed in the Annual Report Notes.

The "*Provision for taxes*" relates to the estimated amount of the tax debts whose exact amount or date of payment has not yet been determined, since they depend on the fulfillment of certain conditions.

The "*Provision for third-party liability*" relates to the estimated amount required to meet the Company's liability, as the majority shareholder, for the portion of the losses incurred at investees whose equity has become negative and which must be restored by their shareholders.

j) Current/non-current classification

Assets and liabilities maturing within twelve months from the balance sheet date are classified as current items and those maturing within more than twelve months are classified as non-current items.

k) Related party transactions

Related party transactions are a part of the Company’s normal business activities (in terms of their purpose and terms and conditions). Sales to related parties are carried out on an arm’s length basis.

In addition, transfer prices are properly supported and, therefore, the Company's directors consider that there are no significant risks in this item that may give rise to sizeable liabilities in the future. The most significant transactions performed with related companies are of a financial nature.

l) Share-based payments

The Company recognizes, on the one hand, goods and services received as an asset or as an expenditure, taking into account its nature at the time it is obtained and, on the other hand, the corresponding increase in equity in case the transaction is settled with an amount based on equity instruments value.

Those transactions settled with equity instruments that have counterpart goods or services other than those provided by employees shall be valued, where they may be reliably estimated, at the fair value of the goods or services on the date they are received. If the fair value of the goods or services received cannot be reliably estimated, the goods or services received and the increase in net worth will be valued at the fair value of the transferred equity instruments, referring to the date the company obtains the goods or the other party provides the services.

m) Provisions for severance payment

In accordance with the legislation in force, the Company is obliged to pay severance payments to those employees with whom, under certain conditions, it terminates their employment relationships. Therefore, severance payments that may be reasonably quantified are recorded as expenditure within the year in which the decision to dismiss is adopted. In 2017 the Company has recorded an expense in this respect for EUR 905 thousand, there was no provision in 2016.

n) Equity instruments

An equity instrument is a contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

The bonds issue, mandatorily convertible into shares, approved by the Shareholders´ General Meeting of Prisa on April 1, 2016 was registered as an equity instrument as it was mandatory convertible into a fixed number of shares and didn´t included any contractual obligation to deliver cash or another financial asset. The fair value of equity instruments to be issued was registered as an increase in equity in the line *"Other equity instruments"*. On November 17, 2017 it has been convertible into shares (*see note 8*).

o) Intercompany transactions

According to current legislation concerning non-monetary contributions to a group company, the contributor will evaluate the investment according to the book value of the equity items delivered in the consolidated annual accounts on the date the transaction is carried out, according to the Rules for the Formulation of the Consolidated Annual Accounts, which develop the Commercial Code. The acquiring company will recognize them for the same amount.

p) Non-current Assets held for sale

The Company recognizes a non-current asset or disposal group as held for sale when it intends to sell it and it expects to realize the asset within twelve months.

These assets or disposal groups are measured at the lower of their carrying amount and fair value less costs to sell.

Non-current assets held for sale are not amortized, but at each balance sheet date the company re-measures the non-current asset so that the carrying amount does not exceed fair value less costs to sell.

Any gain or loss on the remeasurement of a non-current asset or disposal group classified as held for sale that does not meet the definition of a discontinued operation shall be included in profit or loss from continuing operations as appropriate.

q) Leases

Leases are classified as finance leases whenever it is inferred from the conditions thereof that the risks and benefits inherent to the ownership of the asset object of the contract are substantially transferred to the lessee. The other leases are classified as operating leases.

Operating leases

Expenses derived from operating lease agreements are charged to the profit and loss account in the year in which they are accrued.

Any collection or payment that could be made when contracting an operating lease, will be treated as a prepayment or payment that will be charged to income over the period of the lease, as the benefits of the leased asset are ceded or received.

5.- INTANGIBLE ASSETS

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

2017

	Balance at 12/31/2016	Additions	Balance at 12/31/2017
Cost			
Industrial property	60	-	60
Computer software	21,003	172	21,175
Total cost	**21,063**	**172**	**21,235**
Accumulated amortization			
Industrial property	(60)	-	(60)
Audiovisual rights	(20,676)	(245)	(20,921)
Total accumulated amortization	**(20,736)**	**(245)**	**(20,981)**
Total intangible assets, net	**327**	**(73)**	**254**

At December 31, 2017, the Company's fully amortized intangible assets in use amounted to EUR 20,919 thousand (December 31, 2016: EUR 18,127 thousand)

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

2016

The transactions performed in 2016 in the various intangible asset accounts and the related accumulated amortization was summarized as follows (in thousands of euros):

	Balance at 12/31/2015	Additions	Transfers	Balance at 12/31/2016
Cost				
Concessions, patents and other	60	-	-	60
Computer software	20,910	16	77	21,003
Advances and intangible assets in progress	66	11	(77)	-
Total cost	**21,036**	**27**	**-**	**21,063**
Accumulated amortization-				
Concessions, patents and other	(60)	-	-	(60)
Audiovisual rights	(19,993)	(683)	-	(20,676)
Total accumulated amortization	**(20,053)**	**(683)**	**-**	**(20,736)**
Total intangible assets, net	**983**	**(656)**	**-**	**327**

6.- PROPERTY, PLANT AND EQUIPMENT

The transactions performed in 2017 in the various property, plant and equipment accounts and the related accumulated depreciation are summarized as follows (in thousands of euros):

2017

	Balance at 12/31/2016	Additions	Transfers	Balance at 12/31/2017
Cost				
Other fixtures and furniture	493	-	(12)	481
Other items of property, plant and equipment	1,018	25	-	1,043
Total cost	**1,511**	**25**	**(12)**	**1,524**
Accumulated depreciation				
Other fixtures and furniture	(300)	(32)	12	(320)
Other items of property, plant and equipment	(349)	(7)	-	(356)
Total accumulated depreciation	**(649)**	**(39)**	**12**	**(676)**
Total property, plant and equipment, net	**862**	**(14)**	**-**	**848**

At December 31, 2017, the Company's fully depreciated property, plant and equipment in use amounted to EUR 519 thousand (December 31, 2016: EUR 499 thousand).

There are no restrictions on title to or future purchase obligations for property, plant and equipment.

The Company takes out insurance policies to adequately cover the value of its assets.

2016

The transactions performed in 2016 in the various property, plant and equipment accounts and the related accumulated depreciation are summarized as follows (in thousands of euros):

	Balance at 12/31/2015	Additions	Disposals	Balance at 12/31/2016
Cost				
Other fixtures and furniture	438	96	(41)	493
Other items of property, plant and equipment	1,023	3	(8)	1,018
Total cost	**1,461**	**99**	**(49)**	**1,511**
Accumulated depreciation				
Other fixtures and furniture	(295)	(33)	28	(300)
Other items of property, plant and equipment	(343)	(6)	-	(349)
Total accumulated depreciation	**(638)**	**(39)**	**28**	**(649)**
Total property, plant and equipment, net	**823**	**60**	**(21)**	**862**

7. FINANCIAL INSTRUMENTS

7.1- FINANCIAL ASSETS

The detail of "*Financial assets*" in the balance sheets at December 31, 2017 and 2016, based on the nature of the transactions, is as follows:

Classes / Categories	Thousands of euros							
	Non-current				Current		Total	
	Equity instruments		Loans, derivatives and other		Loans, derivatives and other			
	12/31/17	12/31/16	12/31/17	12/31/16	12/31/17	12/31/16	12/31/17	12/31/16
Group companies and associates	643,232	1,033,891	-	-	39,733	36,556	682,965	1,070,447
Held-to-maturity investments	-	-	13	13	6,500	4,188	6,513	4,201
Loans and receivables	-	-	-	-	193	97	193	97
Financial assets available for sale	981	1,162	-	-	-	-	981	1,162
Total	**644,213**	**1,035,053**	**13**	**13**	**46,426**	**40,841**	**690,652**	**1,075,907**

Equity investments in Group companies and associates

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

2017

	Balance at 12/31/2016	Additions	Reversals	Transfers	Disposals	Balance at 12/31/2017
Cost						
Investments in Group companies	**1,700,010**	**9,266**	**-**	**(639,061)**	**(248,156)**	**822,059**
Prisa Brand Solutions, S.L.U.	48,080	-	-	-	-	48,080
Promotora de Emisoras, S.L.	52,242	-	-	-	-	52,242
Promotora de Emisoras de Televisión, S.A.	106,516	-	-	-	-	106,516
Diario El País México, S.A. de C.V.	898	-	-	-	-	898
Prisa Noticias, S.L.	96,126	-	-	-	-	96,126
Promotora General de Revistas, S.A.	3	-	-	-	-	3
Audiovisual Sport, S.L	248,062	-	-	-	(248,062)	-
Prisa Audiovisual, S.L.U.	3	1,786	-	-	-	1,789
Prisa Gestión de Servicios, S.L.	3	-	-	-	-	3
Prisa Participadas, S.L.U.	508,908	7,480	-	-	-	516,388
Promotora Audiovisual de Colombia PACSA, S.A.	94	-	-	-	(94)	-
Promotora de Actividades América 2010, S.L.	10	-	-	-	-	10
Promotora de Actividades Audiovisuales de Colombia, Ltda.	4	-	-	-	-	4
Vertix SGPS, S.A.	639,061	-	-	(639,061)	-	-
Investments in associates	**1,176**	**-**	**-**	**-**	**-**	**1,176**
Total cost	**1,701,186**	**9,266**	**-**	**(639,061)**	**(248,156)**	**823,235**
Impairment losses						
In Group companies	**(666,161)**	**(4,879)**	**406**	**243,614**	**248,156**	**(178,864)**
Prisa Brand Solutions, S.L.U.	(38,293)	(542)	-	-	-	(38,835)
Promotora de Emisoras, S.L.	(28,907)	-	246	-	-	(28,661)
Promotora de Emisoras de Televisión, S.A.	(102,891)	-	125	-	-	(102,766)
Diario El País México, S.A. de C.V.	(898)	-	35	-	-	(863)
Promotora General de Revistas, S.A.	(2)	-	-	-	-	(2)
Audiovisual Sport, S.L	(248,062)	-	-	-	248,062	-
Prisa Audiovisual, S.L.U.	(3)	-	-	(1,786)	-	(1,789)
Prisa Gestión de Servicios, S.L.	-	(3)	-	-	-	(3)
Prisa Participadas, S.L.U.	(5,931)	-	-	-	-	(5,931)
Promotora Audiovisual de Colombia PACSA, S.A.	-	(94)	-	-	94	-
Promotora de Actividades América 2010, S.L.	(10)	-	-	-	-	(10)
Promotora de Actividades Audiovisuales de Colombia, Ltda.	(4)	-	-	-	-	(4)
Vertix SGPS, S.A.	(241,160)	(4,240)	-	245,400	-	-
In associates	**(1,134)**	**(5)**	**-**	**-**	**-**	**(1,139)**
Total impairment losses	**(667,295)**	**(4,884)**	**406**	**243,614**	**248,156**	**(180,003)**
Net Value	**1,033,891**	**4,382**	**406**	**(395,447)**	**-**	**643,232**

The main direct and indirect investments of Promotora de Informaciones, S.A. are listed in *Appendix I* and *Appendix II*, respectively.

The most significant operations that took place in 2017 which gave rise to the aforementioned changes are as follows:

Additions and transfers

In June 2017, a partner contribution was made for the amount of EUR 1,786 thousand to Prisa Audiovisual, S.L. (Sole proprietorship) with the aim of re-establishing this company's equity balance transferring the provision for third-party liability to the stake's impairment for de same amount.

In July 2017, as a result of the binding offer accepted for the sale of Vertix S.G.P.S., S.A, owner of Grupo Media Capital, SGPS, S.A. ("Media Capital") (*see notes 1.b and 7.2*), the Company has reclassified its share to the category of "Non-current assets held for sale".

Disposals

In July 2017, a non monetary contribution was made to Prisa Participadas, S.L.(Sole proprietorship) involving 100% of the shares owned by Prisa in the company Audiovisual Sport, S.L., with a carrying amount of EUR 0 thousand. The contributions have been posted at consolidated values, as set out in applicable accounting regulations, which has generated a positive impact of EUR 7,480 thousand to reserves (see *Note 8*).

2016

The transactions performed in 2016, in this category of financial assets, were summarized as follows (in thousands of euros):

	Balance at 12/31/2015	Additions	Reversals	Transfers	Disposals	Balance at 12/31/2016
Cost						
Investments in Group companies	**2,573,438**	**314,336**	**-**	**52,567**	**(1,240,331)**	**1,700,010**
Prisaprint, S.L.	258,031	3	-	-	(258,034)	-
Prisa Brand Solutions, S.L.U.	48,080	-	-	-	-	48,080
Prisa Tecnología, S.L.	31,467	65,107	-	-	(96,574)	-
Promotora de Emisoras, S.L.	10,786	-	-	41,456	-	52,242
Promotora de Emisoras de Televisión, S.A.	95,405	-	-	11,111	-	106,516
Diario El País México, S.A. de C.V.	898	-	-	-	-	898
Prisa Noticias, S.L.	96,126	-	-	-	-	96,126
Promotora General de Revistas, S.A.	3	-	-	-	-	3
Grupo Santillana Educación Global, S.L.	65,826	-	-	-	(65,826)	-
Audiovisual Sport, S.L	248,062	-	-	-	-	248,062
Liberty Acquisition Holdings Virginia, Inc.	649,540	-	-	-	(649,540)	-
Prisa Audiovisual, S.L.U.	3	-	-	-	-	3
Prisa División Internacional, S.L.	170,339	-	-	-	(170,339)	-
Prisa Finance (Netherlands) BV	18	-	-	-	(18)	-
Prisa Gestión de Servicios, S.L.	3	-	-	-	-	3
Prisa Participadas, S.L.	259,682	249,226	-	-	-	508,908
Promotora Audiovisual de Colombia PACSA, S.A.	94	-	-	-	-	94
Promotora de Actividades América 2010, S.L.	10	-	-	-	-	10
Promotora de Actividades Audiovisuales de Colombia, Ltda.	4	-	-	-	-	4
Vertix SGPS, S.A.	639,061	-	-	-	-	639,061
Investments in associates	**1,176**	**-**	**-**	**-**	**-**	**1,176**
Total cost	**2,574,614**	**314,336**	**-**	**52,567**	**(1,240,331)**	**1,701,186**
Impairment losses						
In Group companies	(987,767)	(5,668)	67,852	(91,802)	351,224	(666,161)
Prisaprint, S.L.	(254,958)	-	312	-	254,646	-
Prisa Brand Solutions, S.L.U.	(38,445)	-	152	-	-	(38,293)
Prisa Tecnología, S.L.	(31,467)	-	-	(65,107)	96,574	-
Promotora de Emisoras, S.L.	(10,786)	-	641	(18,762)	-	(28,907)
Promotora de Emisoras de Televisión, S.A.	(95,405)	-	389	(7,875)	-	(102,891)
Diario El País México, S.A. de C.V.	(793)	(47)	-	(58)	-	(898)
Prisa Noticias, S.L.	(53,661)	-	53,661	-	-	-
Promotora General de Revistas, S.A.	(3)	1	-	-	-	(2)
Grupo Santillana Educación Global, S.L.	-	-	-	-	-	-
Audiovisual Sport, S.L	(242,443)	(5,619)	-	-	-	(248,062)
Liberty Acquisition Holdings Virginia, Inc.	-	-	-	-	-	-
Prisa Audiovisual, S.L.U.	-	(3)	-	-	-	(3)
Prisa División Internacional, S.L.	-	-	-	-	-	-
Prisa Finance (Netherlands) BV	(4)	-	-	-	4	-
Prisa Gestión de Servicios, S.L.	-	-	-	-	-	-
Prisa Participadas, S.L.	(11,485)	-	5,554	-	-	(5,931)
Promotora Audiovisual de Colombia PACSA, S.A.	-	-	-	-	-	-
Promotora de Actividades América 2010, S.L.	(10)	-	-	-	-	(10)
Promotora de Actividades Audiovisuales de Colombia, Ltda.	(4)	-	-	-	-	(4)
Vertix SGPS, S.A.	(248,303)	-	7,143	-	-	(241,160)
In associates	(1,130)	(4)	-	-	-	(1,134)
Total impairment losses	**(988,897)**	**(5,672)**	**67,852**	**(91,802)**	**351,224**	**(667,295)**
Net Value	**1,585,717**	**308,664**	**67,852**	**(39,235)**	**(889,107)**	**1,033,891**

The most significant operations that took place in 2016 which gave rise to the aforementioned changes are as follows:

Additions and transfers

In February 2016, a partner contribution was made for the amount of EUR 41,456 thousand to Promotora de Emisoras, S.L. with the aim of re-establishing this company's equity balance, through the offsetting of the participatory loan and transferring the provision for third-party liability to the stake's impairment (EUR 18,762 thousand).

In Febrery 2016, a partner contribution was made for the amount of EUR 11,111 thousand to Promotora de Emisoras de Televisión, S.A. with the aim of re-establishing this company's equity balance, through the partial offsetting of the participatory loan and transferring the provision for third-party liability to the stake's impairment (EUR 7,875 thousand).

In June 2016, a partner contribution was made for the amount of EUR 65,107 thousand to Prisa Tecnología, S.L. with the aim of re-establishing this company's equity balance, partially with the amount obtained from the cancellation of the participating loan (EUR 57,631 thousand) and transferring the provision for third-party liability to the stake's impairment (EUR 65,107 thousand).

In addition, as a result of the non-monetary contributions explained in the following section, the value of the participation in Prisa Participadas, S.L. (Sole proprietorship) was increased in EUR 249,226 thousand.

Disposals

In November 2016, Prisa Finance (Netherlands) B.V., was liquidated, 100% owned by Promotora de Informaciones, S.A., retiring its carrying amount for EUR 18 thousand and no effect in the income statement.

In November 2016, Liberty Acquisition Holdings Virginia, Inc., was liquidated, 100% owned by Promotora de Informaciones, S.A., retiring its carrying amount for EUR 649,540 thousand and a positive effect of EUR 949 thousand in the income statement.

In November 2016, a non-monetary contribution was made to the company Prisa Participadas, S.L. (Sole proprietorship) involving 100% of the shares owned by Prisa in the company Prisa Tecnología, S.L., with a carrying amount of EUR 0 thousand, 100% of the shares owned by Prisa in the company Prisa División Internacional, S.L.U., with a carrying amount of EUR 170,339 thousand.

In December 2016, a non-monetary contribution was made to the company Prisa Participadas, S.L. (Sole proprietorship) involving 100% of the shares owned by Prisa in the company Prisaprint, S.L., with a carrying amount of EUR 3,388 thousand.

In December 2016, a non-monetary contribution was made to the company Prisa Participadas, S.L. (Sole proprietorship) involving 100% of the shares owned by Prisa in the company Grupo Santillana Educación Global, S.L., with a carrying amount of EUR 65,826 thousand.

The non-monetary contributions to the company Prisa Participadas, S.L. (Sole proprietorship) was posted at consolidated values, as set out in applicable accounting regulations, which generated a positive impact of EUR 6,117 thousand to reserves.

Impairment tests

At the end of each reporting period, or whenever there are indications of impairment, the Company tests goodwill for impairment to determine whether it has suffered any permanent loss in value that reduces its recoverable amount to below its net book value.

The recoverable amount of each stake is the higher of fair value net selling price and value in use. Unless there is better evidence of the recoverable amount, the net equity of the investee is taken into consideration, corrected for the unrealized gains existing on the valuation date (including goodwill, if any).

Value in use was calculated on the basis of the estimated future cash flows based on the business plans most recently approved by management. These business plans include the best estimates available of income and costs of the cash-generating units using industry projections and future expectations.

According to the estimates and projections available to the Directors, the cash flow forecasts attributable to the different cash generating units allow the net book value recorded as of December 31, 2017 to be recovered.

These projections cover the following five years and include a residual value that is appropriate for each business. In order to calculate the present value of these flows, they are discounted at a rate that reflects the weighted average cost of capital employed adjusted for the country risk and business risk. The rate for the most relevant impairment test is from 8.5% to 10.5%.

An analysis of the sensitivity of the main hypotheses of the impairment test has been conducted, concluding that there is sufficient margin between the carrying amount and its recoverable amount in scenarios more pessimistic than those envisaged by the Company's Management in its estimates.

Prisa Noticias, S.L.-

The main variables used by management to determine the value in use of Prisa Noticias’s business were as follows:

Evolution of offline advertising: the Management has considered falls in offline advertising in accordance with the existing market projections.

Evolution of online advertising: the Management has taken into account the forecasts for the digital advertising market that predict growth for the next years in Spain and Latin America.

Events: the Management has considered the growth of the events business in line with the business development that the unit has achieved in recent years.

Expenses: the Management has considered that it will continue with the adjustments made to business expenses reviewing the operations model and simplifying the structures.

The discount rate used is from 8.5% to 10.5% and the growth rate used is from 0% to 1% (from 8.5% to 10.5% and from 0% to 1% respectively in 2016). During 2016 the impairment corresponding to this investment was totally cancelled for EUR 53,661 thousand.

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

Prisa Participadas, S.L. (Sole proprietorship)

In order to determine the value in use of the business of Prisa Participadas, the Management has based itself on the estimated value of its main assets: Santillana and Prisa Radio.

In Santillana, for cash flow projections, the Management has taken into account the growth in revenues according to the regular and institutional sale cycle of books in each of the countries in which it operates, for all periods except for the years of low public sale cycle of Brazil (2018 and 2021), where a slight decrease is projected. The Management estimates that expenses will be in line with revenue growth (except in the years 2018 and 2021, when they decrease). The Management estimates that Santillana will continue to progressively improve its business margins thanks to improvement in efficiency and review of the operational model.

In Radio, for cash flow projections, the Management considered there will be an increase in advertising revenue, based on the market forecast and on the macroeconomic environment, but also and takes into account growth opportunities in each of the countries where Prisa Radio operates. The Management estimates that expenses will be in line with revenue growth, but efficiencies need to be implemented so as to improve yearly business profitability.

The discount rate used for Santillana is from 8.5% to 10.5%. The discount rate used for Prisa Radio is from 8.5% to 10.5%. The growth rate used is from 0% to 2.5% in both business.

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

Available-for-sale financial assets

This heading includes Prisa's stake in Mediaset España Comunicación, S.A., which at December 31, 2017 represents 0.031% of this company's equity for a value of EUR 981 thousands.

The Company recognises its stake in Mediaset España Comunicación, S.A. at fair value. As the shares in Mediaset España Comunicación, S.A. are listed on the Madrid Stock Exchange, the Company used the listed price at year end (EUR 9.36) to calculate the fair value of this investment at December 31, 2017 (EUR 11.15 at December 31, 2016). The decrease in fair value of EUR 181 thousand was recognised directly in the Company's equity net of tax.

Current investments in Group companies and associates

This epigraph includes the portion of the loans to companies of the Group and Associates with maturity within one year and interest accrued pending payment, being the sum of EUR 2,324 thousand at December 31, 2017 (EUR 4,718 thousand at December 31, 2016). In addition, at December 31, 2017, this caption includes the tax account receivable with the Spanish Tax Group companies as a result of the liquidation of the consolidated Corporate tax for the sum of EUR 33,893 thousand at December 31, 2017 (EUR 29,578 thounsand at December 31, 2016).

Held-to-maturity investments

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

At December 31, 2016, Promotora de Informaciones, S.A. had recognised an amount of EUR 4,188 thousand under this heading corresponding mainly to deposit with reference to a dispute with Indra Sistemas, S.A.

7.2.- NON-CURRENT ASSETS HELD FOR SALE

Under this heading is registered the participation of the Company in Vertix S.G.P.S., S.A. as a result of the purchase agreement signed between Prisa and Altice NV., described below, to met the requirements of the Spanish National Chart of Accounts that those assets are classified as non -current assets held for sale.

	Thousand euros
Vertix S.G.P.S., S.A.	310,309
Total	**310,309**

On July 13, 2017, the Board of Directors of Prisa has agreed to accept the binding offer submitted by Altice NV for the whole stake that Prisa has in Vertix S.G.P.S., S.A. at an enterprise value of EUR 440,000 thousand.

Afterwards, the parties have executed a share purchase agreement by means of which Prisa will transfer to MEO - Serviços de Comunicaçao e Multimédia, S.A., Altice's affiliate, its entire stake in Vertix S.G.P.S., S.A., which represents 100% of its share capital and 94.69% of Media Capital.

The final price of the transaction is subject to the usual adjustments in this kind of operations. This transaction, net of the estimated costs to sell, has meant an accounting loss in July 2017 of EUR 85,587 thousand, which includes impairment of the participation amounting to EUR 4,240 thousand during the first few months of 2017 through to the signing of the agreement, as well as a withdrawal of tax credits amounting to EUR 1,678 thousand. As a result, the Company has reclassified its share in Vertix SPGS, S.A. from the category of "Equity Instruments" to "*Non-current assets held for sale*".

The transaction was authorised in September 2017 by the company's financial creditors and in November by the Annual General Shareholders' Meeting.The execution of the transaction is subject to the obtaining of the required authorization of the antitrust and regulatory authorities in Portugal.

At 31 December 2017, The Company considers that, according to its most reasonable estimate, the price for Prisa's stake in Media Capital, after calculating those adjustments, would be around EUR 318,784 thousand ("equity value"), without costs to sell, considering a net costs value of EUR 310,309 thousand. For this reason the Company has recorded an additional impairment of EUR 3,682 thousand, which represents a total accounting loss in the financial statements of the Company of EUR 89,269 thousand at December 31, 2017, registered under "*Loss after tax from discontinued operations*" of the income statement corresponding of 2017. The final price will depend on the evolution of Media Capital until the date on which the sale is closed.

7.3. FINANCIAL LIABILITIES

Loans and payables

Classes	Thousands of euros									
	Non-current				Current					
	Bank borrowings		Debts, derivatives and other		Bank borrowings		Loans, derivatives and other		Total	
Categories	**12/31/17**	**12/31/16**	**12/31/17**	**12/31/16**	**12/31/17**	**12/31/16**	**12/31/17**	**12/31/16**	**12/31/17**	**12/31/16**
Loans and payables	623,756	1,544,453	-	-	948,850	212	15,733	15,364	1,588,339	1,560,029
Group companies and associates	-	-	94,626	94,171	-	-	34,632	24,176	129,258	118,347
Total	**623,756**	**1,544,453**	**94,626**	**94,171**	**948,850**	**212**	**50,365**	**39,540**	**1,717,597**	**1,678,376**

Bank borrowings

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

2017

	Maturity Date	Limit	Draw down amount maturing at short term	Draw down amount maturing at long term
Sindicated Loan Tranche 2	dec-2018	956,512	956,512	-
Sindicated Loan Tranche 3	dec-2019	181,471	-	181,471
Participative Loan (PPL)	dec-2019	450,922	-	450,922
Interest and others	2018-2019	-	142	834
Loan arrangement costs	dec-2019	-	(7,804)	(9,471)
Total		**1,588,905**	**948,850**	**623,756**

2016

	Maturity Date	Limit	Draw down amount maturing at short term	Draw down amount maturing at long term
Sindicated Loan Tranche 2	dec-2018	956,512	-	956,512
Sindicated Loan Tranche 3	dec-2019	176,985	-	176,985
Participative Loan (PPL)	dec-2019	439,775	-	439,775
Interest and others	2017-2019	-	212	810
Loan arrangement costs	dec-2019	-	-	(29,629)
Total		**1,573,272**	**212**	**1,544,453**

Bank borrowings are presented sheet at amortized cost in the balance sheet, adjusted for the loan origination and arrangement costs.

To determine the theoretical calculation of the fair value of the financial debt, and in accordance with accounting standards we used the Euribor curve and the discount factor supplied by the bank and the actual credit risk arising from a report provided by an independent expert regarding the transactions made in the secondary debt market (level 2 variables, estimates based on other observable market methods). Therefore, the fair value of Prisa's financial debt amounts to EUR 1,548,364 thousand at December 31, 2017, according to this calculation.

The methodology followed to calculate the debt has used the secondary market value of Prisa's refinanced debt (composed of the tranches). This way, the Company's debt is valued at a 2.61% average discount over the real principal payment obligation to the creditor entities.

Syndicated loan (Tranche 1)-

In December 2013, as part of the refinancing of its financial debt, Prisa signed a syndicated financing agreement with a group of 16 financial investors for a maximum of EUR 353,261 thousand. In May 2015, Prisa paid off Tranche 1 fully.

Syndicated loan (Tranches 2 and 3)-

In December 2013, as part of the refinancing of its financial debt, Prisa agreed to the renewal of its syndicated loan, structuring its debt in two tranches (Tranche 2 and Tranche 3):

Tranche 2-

Tranche 2 of the debt, at December 31, 2017 set at EUR 956,512 thousand, has a Euribor-indexed cost plus a negotiated margin with the lenders. Tranche 2 matures in December 2018.

Tranche 3-

Tranche 3 matures in 2019 and its cost is a margin negotiated with lenders, as well as a fixed cost that may be capitalized (PIK).

As of December 31, 2017, the Tranche 3 amount totalled EUR 181,471 thousand.

Participating Loan (PPL)-

The Participating Loans were constituted to re-establish the equity balance at Prisa after recording loses from the sale of DTS, Distribuidora de Televisión Digital, S.A. As set out in the Group finance agreements, the mechanism was used to automatically convert part of Tranche 3 of debt into participating loans.

As of December 31, 2017, the Company's Participating Loans stood at EUR 450,922 thousand. The financial cost is the same as for Tranche 3.

As stated in notes 1 and 19, as of January 22, 2018, the Company had signed a framework agreement with all the financial creditors of the *Override Agreement* (Agreement for the refinancing of the Company´s debt signed in December 2013) to refinance and modify the terms of Prisa's current financial debt (Refinancing framework agreement), which implies, the extension of the maturity of the debt until November and December 2022 and no mandatory repayments until December 2020, once a payment of EUR 450,000 thousand has been made with the funds obtained from the capital increase approved in the General Shareholders' Meeting of the Company held on November 15, 2017 described in the note 1b. The initial cost of the refinanced debt will be Euribor plus a margin of 4%.

Other aspects of the debt-

Compliance with certain financial ratios is established in the financial agreements. The Company's Directors consider that these ratios were fulfilled at December 31, 2017.

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

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

Personal guarantees

Tranches 2, 3 and the PPL of Prisa's debt, corresponding the debt refinanced in December 2013, are jointly guaranteed by the Group companies Bidasoa Press, S.L., Prisaprint, S.L. (after the liquidation of Dédalo Grupo Gráfico, S.L. in December 2017, as set out in note 3), Diario El País, S.L., Distribuciones Aliadas, S.A., Grupo de Medios Impresos y Digitales, S.L. (Sole proprietorship), Norprensa, S.A. and Prisa Participadas, S.L. (Sole proprietorship).

In addition, Prisa Radio, S.A. and Vertix, SGPS, S.A. guarantee Tranches 2, 3 and the PPL with the following limitations:

- The guarantee granted by Prisa Radio, S.A. will be limited to a maximum amount equal to the lower of the following:

    - EUR 1,314,706 thousand
    - 73.49% of its equity at any time

- The guarantee granted by Vertix SGPS, S.A. will be limited to a maximum amount of EUR 600,000 thousand.

Guarantees

In December 2013, resulting from a new syndicated loan which was repaid early in May 2015 and the renewal of the remaining loans, Prisa pledged on certain owned bank accounts and, additionally, Bidasoa Press, S.L., Dédalo Grupo Gráfico, S.L.(currently Prisaprint, S.L.), Norprensa, S.A. and Distribuciones Aliadas, S.A. pledged certain properties and receivables related to certain material contracts to guarantee said creditors.

Also, on January 10, 2014, a pledge was granted for Prisa's shares in Audiovisual Sport, S.L. (80% share capital).

Part of Prisa's investment in Grupo Santillana Educación Global, S.L. (75% share capital), in Prisa Radio, S.A. (73.49% share capital) and Grupo Media Capital SGPS, S.A. (84.69% share capital) was also pledged, thereby insuring Tranches 2, 3, and the PPL.

Lastly, a pledge on certain properties and receivables was also granted to the creditors of the financing for Dédalo Grupo Gráfico, S.L (dissolved and liquidated in December 2017).

Payable to Group companies and associates

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

2017

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

2016

	Non-current	Current
Investment tax credits	31,679	-
Other payables	62,492	7,404
Cash pooling	-	16,462
Total	**94,171**	**23,866**

Other non-current payables-

Corresponds to the participating loan granted by its subsidiary Prisa Participadas, S.L. (Sole proprietorship) for EUR 62,492 thousand at December 31, 2017 and 2016 with maturity date February 28, 2019.

Other current payables-

This heading includes the tax account payable to the Spanish Tax Group companies for the liquidation of the consolidated Corporate tax for EUR 7,624 thousand (EUR 7,404 thousand at December 31, 2016).

Investment tax credits-

This headings includes Promotora de Informaciones, S.A.'s obligation to its subsidiaries arising from investment tax credits earned by Group companies in prior years that were not used in the consolidated group's income tax settlement.

Cash pooling-

At December 31, 2017, this heading included EUR 26,661 thousand of balances and interest payable to Prisa Participadas S.L. (Sole proprietorship) arising from the above-mentioned cash pooling. (EUR 16,462 thousand at December 31, 2016).

Past-due payments to creditors-

The information required by the third additional provision of Law 15/2010, of 5 July (amended by the second final provision of Law 31/2014, of 3 December) approved in accordance with the resolution of ICAC (Spanish Accounting and Audit Institute) of January 29, 2016, in relation to the average period of payment to suppliers in commercial operations, is as follows.

	2017	2016
	Days	*Days*
Average payment period to suppliers	64	68
Ratio paid operations	67	62
Ratio of outstanding payment transactions	37	102
	Amount (thousands of euros)	
Total payments	24,910	23,862
Total outstanding payments	2,971	3,715

According to the ICAC Resolution, the calculation of the average period of payment to suppliers has taken into account the commercial operations corresponding to the delivery of goods or services rendered from the date of entry into force of Law 31/2014, of 3 December.

For the sole purposes of providing the information set forth in this Resolution, providers shall mean business creditors for debts with providers of goods or services included in headings “Payable to suppliers”, “Payable to suppliers, Group companies and associated” and “Sundry accounts payable” of the current liabilities of the balance sheet.

“Average period of payment to suppliers” is understood to mean the period from the delivery of the goods or provision of the services by the supplier to the eventual payment of the transaction.

The maximum legal period of payment applicable in 2016 under Law 3/2004, of 29 December, for combating late payment in commercial transactions, is by default 30 days, and 60 days maximum if particular conditions are met with suppliers.

During the coming financial year, the Directors will take the appropriate measures to reduce the average period of payment to suppliers to legally permitted levels, except in cases where specific agreements with suppliers exist which set further deferments.

7.4- NATURE AND RISK OF THE FINANCIAL INSTRUMENTS

Liquidity and Credit Risk-

The adverse macroeconomic situation, with significant drops in advertising and circulation has had a negative impact on the ability of the Company's cash generation through its subsidiaries in the last years, mainly in Spain. The advertising-dependent businesses have a high percentage of fixed costs and drop in advertising revenue significantly impact on margins and cash position, hindering the implementation of additional measures to improve the operational efficiency of the Company.

The Company thoroughly analyzes receivables and payments of its activities and maturity of financial and commercial debt. In relation with the commercial credit risk, the Company evaluates the aging of the debt and constantly manages receivables.

Additionally, the Company analyzes on a recurrent basis other financing sources to cover short and medium term liquidity needs. However, at December 31, 2017, the Company still maintains a net bank debt level of EUR 1,564,574 thousand.

Interest rates risk exposure-

Approximately 60.22% of its bank borrowings terms are at variable interest rates, and therefore the Company is exposed to fluctuations in interest rates. Currently the Company has no interest rate hedges arrangements.

Fluctuations in foreign exchange rates-

The Company is exposed to fluctuations in the exchange rates mainly in the financial investments in Latin American subsidiaries, and for the revenues and results from those investments.

8- EQUITY

The detail of the transactions recognized under "*Equity*" at December 31, 2017 and in 2016 is summarized in the attached statement of changes in equity.

Share capital

On January 1, 2017, the share capital of Prisa amounted to EUR 235,007,874 and was represented by 78,335,958 ordinary shares with a nominal value of EUR 3.00 each. During 2017 the following operations have been carried out and have modified the share capital of Prisa:

a) In execution of the resolutions passed at the Extraordinary Shareholders' Meeting held on November 15, 2017, the following share capital reductions have been carried out:

- Share capital reduction in the amount of EUR 154,321,837.26, that is, from EUR 235,007,874 to EUR 80,686,036.74, through the reduction of the par value of each of the 78,335,958 ordinary voting shares, from to EUR 3.00 to EUR 1.03 per share, with the purpose to restore the balance between Company's share capital and equity, which has decreased as a consequence of the accumulation of losses from prior periods.

- Share capital reduction in the amount of EUR 7,050,236.22, that is, from EUR 80,686,036.74 to EUR 73,635,800.52, through the reduction of the par value of each of the 78,335,958 ordinary voting shares in the amount of EUR 0.09, that is, from EUR 1.03 per share to EUR 0.94 per share, with the purpose to increase Company's legal reserves.

b) On November 17, 2017, it has been formalized a public deed executing the share capital increase necessary to attend the early conversion of the bonds issued by resolution of the Ordinary General Shareholders' Meeting held on April 1, 2016, requested by all the bondholders, in accordance with the terms and conditions of the conversion, and through which 10,491,405 new shares of PRISA have been issued and all the aforementioned bonds have been amortized, as their total conversion has been requested.

The issuance of the bond was registered as an equity instrument as it is mandatory convertible into a fixed number of shares and didn´t included no contractual obligation to deliver cash or another financial asset.

As a result, as of December 31, 2017, share capital of Prisa amounts to EUR 83,497,721.22 and is represented by 88,827,363 ordinary shares, all belonging to the same class and series, with a nominal value of EUR 0.94 each, and numbered correlatively from 1 to 88,827,363.

Warrants 2013 have not been exercise by its owners. On December 31, 2017, 778,200 warrants were pending of exercise.

Share capital is fully subscribed and paid out.

After the closing of 2017, in February 2018, the capital increase was subscribed in an amount of EUR 563,220 thousand, agreed at an amount of EUR 450,000 thousand at the General Shareholders' Meeting on November 15, 2017 and, subsequently, expanded by the Board of Directors of Prisa on January 22, 2018, for EUR 113,220 thousand.

On December 31, 2017, the significant shareholders of Prisa, according to information published in the Comisión Nacional del Mercado de Valores ("CNMV") and in some cases, information that has been provided by the shareholders to the Company, are the following.

However since some shareholders have not updated in the CNMV the number of voting rights that they hold after the grouping and exchange of shares or reverse split carried out in May 2015, the Company has calculated the estimate number of the voting rights that correspond to such shareholders (Nicolas Berggruen, Fundación Bancaria Caixa D'Estalvis I Pensions de Barcelona/ Caixabank, S.A, GHO Networks, S.A. de CV/ Consorcio Transportista Occher, S.A. de C.V. ("Occher"), dividing by 30 the number of old shares they declared (applying an exchange ratio of one new share for 30 old shares).

Shareholder's Name	Number of Direct Voting Rights	Number of Indirect Voting Rights	Total % of Voting Rights (1)
AMBER CAPITAL UK LLP (2)	-	16,043,730	18.06
RUCANDIO, S.A. (3)	-	13,729,811	15.46
TELEFONICA, S.A.	10,228,745	-	11.52
INTERNATIONAL MEDIA GROUP, S.A.R.L (4)	6,400,000	-	7.20
GHO NETWORKS, S.A. DE CV (5)	-	6,297,076	7.09
HSBC HOLDINGS PLC	-	12,827,135	14.44
BANCO SANTANDER, S.A. (6) (7)	1,074,432	2,172,434	3.66
FUNDACION BANCARIA CAIXA D ESTALVIS I PENSIONS DE BARCELONA (6)	-	2,997,879	3.37
NICOLAS BERGGRUEN (8)	6,115	947,433	1.07

The aforementioned indirect shareholding is held as follows:

Indirect Shareholder's Name	Direct Shareholder's Name	Number of Direct Voting Rights
AMBER CAPITAL UK LLP	AMBER ACTIVE INVERSTORS LIMITED	11,841,366
AMBER CAPITAL UK LLP	AMBER GLOBAL OPPORTUNITIES LIMITED	2,770,893
AMBER CAPITAL UK LLP	OVIEDO HOLDING, S.A.R.L.	1,431,471
RUCANDIO, S.A.	TIMON, S.A.	264,271
RUCANDIO, S.A.	RUCANDIO INVERSIONES, SICAV, S.A.	11,303
RUCANDIO, S.A.	PROMOTORA DE PUBLICACIONES, S.L.	2,574,964
RUCANDIO, S.A.	ASGARD INVERSIONES, SLU	922,069
RUCANDIO, S.A.	OTNAS INVERSIONES, S.L.	3,100,000
RUCANDIO, S.A.	CONTRATO ACCIONISTAS PRISA	6,857,204
GHO NETWORKS, S.A. DE CV	CONSORCIO TRANSPORTISTA OCCHER, S.A. DE C.V.	6,297,076
HSBC HOLDINGS PLC	HSBC BANK PLC	12,827,135
BANCO SANTANDER, S.A.	SOCIEDADES GRUPO SANTANDER	2,172,434
FUNDACION BANCARIA CAIXA D ESTALVIS I PENSIONS DE BARCELONA	CAIXABANK, S.A.	2,997,879
NICOLAS BERGGRUEN	BH STORES IV, B.V	947,433

(1) The percentages of voting rights have been calculated on the total voting rights in Prisa at December 31, 2017 (i.e. 88,827,363 rights).

(2) Mr. Joseph Oughourlian, external director representing significant shareholdings, has stated to the Company that: i) the structure of his indirect stake in the share capital of the Company is as declared in the previous tables and ii) he controls Amber Capital UK, LLP, which acts as investment manager to Oviedo Holdings Sarl, Amber Active Investors Limited and Amber Global Opportunities Limited.

(3) Rucandio indirectly holds the majority of votes in the Prisa Shareholders Agreement signed on April 24, 2014, whose terms were communicated to the CNMV.

Of the 6,297,076 (7.08%) voting rights held by Occher, 6,140,576 (6.91%) are linked to Prisa Shareholders Agreement and are already included in the 6,857,204 indirect voting rights declared by Rucandio through that Shareholders Agreement. Therefore the 15.46% over the total voting rights of the Company, which is indirectly held by Rucandio, includes the 6.91% held by Occher which is bound by the Shareholders' Agreement.

(4) The voting rights held by International Media Group, S.A.R.L have been declared to the CNMV by Shk. Dr. Khalid bin Thani bin Abdullah Al-Thani, external director representing significant shareholdings, as an indirect stake.

International Media Group, S.A.R.L. is 100% owned by International Media Group Limited which in turn is 100% owned by Shk. Dr. Khalid bin Thani bin Abdullah Al-Thani.

(5) As of December 31, 2017, Grupo Herradura Occidente, S.A. de C.V. (Grupo Herradura) appeared on the CNMV´s website as declarant and indirect holder of the shares of Occher.

However, it is noted that, in August 2016, Grupo Herradura has been split into two separate entities, one of which, Gho Networks, S.A. de CV is now the shareholder of Occher, replacing Grupo Herradura.

(6) In addition to the voting rights that are reflected in the above tables, some companies whose dominant entity is Santander, S.A. and Caixabank, S.A. subscribed 1,001,260 and 1,001,263 shares, respectively, within the framework of the capital increase for the conversion of Prisa bonds mandatorily convertible into new ordinary shares, which were issued in 2016, and which carried the same number of voting rights as those corresponding to the ordinary shares of the company (for more information, see "*Issuance of financial instrument*").

(7) The holder of the indirect interest of Banco Santander, S.A. is held through the following entities of Grupo Santander: Cántabra de Inversiones, S.A., Cántabro Catalana de Inversiones, S.A., Fomento e Inversiones, S.A., and Suleyado 2003, S.L.

(8) BH Stores IV, B.V. is a subsidiary of Berggruen Holdings LTD, a 100% subsidiary of Nicolas Berggruen Charitable Trust. The ultimate beneficiary of the shares of BH Stores IV, B.V. is Nicolas Berggruen Charitable Trust. Mr. Nicolás Berggruen is a member of the Board of Directors of Berggruen Holdings.

Issuance of financial instrument (Other Equity Instruments)

On April 1, 2016 the Shareholders´ General Meeting of Prisa approved a bonds issuance, mandatorily convertible into new issue ordinary shares of Prisa, through the conversion of financial debt of the Company. The issuance has been exclusively aimed to certain financial creditors of the Company that have subscribed a total of 10,074,209 bonds through the capitalization of some credits that amount a total of EUR 100,742 thousand.

The issue of the bonds was subscribed in April 2016 and it was divided in two tranches:

- Tranche A: amounting to EUR 32,112 thousand subscribed by HSBC, Caixabank, and several companies of Grupo Santander through the exchange of the total subordinated debt arising from capitalized interest associated with the bond issuance made in 2012.

- Tranche B: amounting to EUR 68,630 thousand subscribed by HSBC of part of the profit participative loans.

The issuance of the bond was registered as an equity instrument as it was mandatory convertible into a fixed number of shares and included no contractual obligation to deliver cash or another financial asset. During 2016, there was an increase in shareholders' equity of EUR 82,342 thousand under "*Other equity instruments*" and a financial income of EUR 18,401 thousand in the accompanying income statement at the time of recording the operation at the fair value of the equity instruments to be issued, for which the average cost of the Company's debt was taken as a reference.

The maturity date of the bonds was April 7, 2018, without prejudice to the right of early conversion in certain circumstances as described in the resolution approving the issuance. The bonds have a unit conversion price of EUR 10 per share, and will accrue an annual coupon payable in new shares of the company at the conversion date. At December 31, 2016, the accrued annual coupon amounted to EUR 1,950 thousand, payable at the time of conversion. From January 1, 2017 to the conversion date the accrued coupon amounted to EUR 2,222 thousand.

On November 17, 2017 the conversion request was executed by means of a public deed, carried out by the company creditors as at October 31, 2017, for the total bonds issued through new shares for EUR 104,914 thousand (EUR 100,742 thousand correspond to the principal and EUR 4,172 thousand to interests accrued as of the conversion date). (*see note "Share Capital"*).

Share premium

The Recast Text of the Capital Companies Act expressly allows use of issue premium to increase capital against reserves. It establishes no specific restriction whatever regarding the availability of the balance of this reserve.

The main changes during 2017 are the following:

- In execution of the resolutions passed at the Extraordinary Shareholders' Meeting held on November 15, 2017, the share premium has been reduced in order to compensate loss for previous years for the amount of EUR 1,371,299 thousand.

- Additionally, at November 17, 2017 it has been formalized a public deed executing the share capital increase necessary to attend the early conversion of the bonds issued by resolution of the Ordinary General Shareholders' Meeting held on April 1, 2016, requested by all the bondholders, in accordance with the terms and conditions of the conversion, and through which 10,491,405 new shares of PRISA, with an associated share premium of EUR 95,052 thousand.

Pursuant to these changes and their associated costs the amount of the share premium at December, 31, 2017 is EUR 95,002 thousand and is available in full (EUR 1,371,299 thousand at December, 31, 2016).

Reserves

Revaluation reserve 1983-

Pursuant to the legislation on the revaluation of property, plant and equipment and intangible assets published in 1983, the cost and accumulated depreciation and amortization of these assets were increased by a net amount of EUR 3,289 thousand, recognized under *"Revaluation Reserve 1983"* at December 31, 2016, being unrestricted.

During 2017, in execution of the resolutions passed at the Extraordinary Shareholders' Meeting held on November 15, 2017, it has proceeded to compensate loss for previous years with the whole of this reserve for the amount of EUR 3,289 thousand.

Revaluation reserve Royal Decree-Law 7/1996-

Under Royal Decree 2607/1996, of December 20, approving the regulations for asset revaluations pursuant to Royal Decree-Law 7/1996, of June 7, the surpluses arising from the revaluations must be charged to *"Revaluation reserve Royal Decree-Law 7/1996."* The balance of this account at December 31, 2016 amounted to EUR 10,650 thousand and has been unrestricted since January 1, 2007.

During 2017, in execution of the resolutions passed at the Extraordinary Shareholders' Meeting held on November 15, 2017, it has proceeded to compensate loss for previous years with the whole of this reserve for the amount of EUR 10,650 thousand.

Legal reserve-

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

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

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

During 2017, in execution of the resolutions passed at the Extraordinary Shareholders' Meeting held on November 15, 2017, it has proceeded to compensate loss for previous years with the whole of this reserve for the amount of EUR 5,335 thousand. Likewise, the legal reserve has also been increased through a share capital reduction for the amount of EUR 7,050 thousand (see note "*Share Capital*").

This way the balance iof this account at December 31, 207 amounts to EUR 7,050 thousand (EUR 5,335 thousand at December 31, 2016).

Reserve for treasury shares-

Article 142 of the Consolidated Text of the Corporate Enterprises Act states that when a company acquires treasury shares, it must record on the liability side of the balance sheet a restricted reserve equal to the carrying amount of the treasury shares. This reserve must be maintained until the shares are sold or canceled.

The balance of this account at year end amounts to EUR 694 thousand (at December 31, 2016, EUR 1,735 thousand).

Bylaw-stipulated reserves-

Under Article 32 of the Company's bylaws, at least 10% of the profit after tax must be transferred to a reserve each year until the balance of this reserve reaches at least 20% and does not exceed 50% of the paid-in share capital.

The balance of this account at December 31, 2016 amounted to EUR 11,885 thousand.

During 2017, in execution of the resolutions passed at the Extraordinary Shareholders' Meeting held on November 15, 2017, it has proceeded to compensate loss for previous years with the whole of this reserve for the amount of EUR 11,885 thousand.

Voluntary reserves-

In the financial year 2017 the changes in this account were mainly as follows:

- Increase of EUR 7,480 thousand due to a non-monetary contribution to Prisa Participadas, S.L. (sole proprietorship) from Audiovisual Sport, S.L. (see *note 7.1*).

- Reduction of the annual interest accrued by the bond compulsorily convertible into shares up to the conversion request, in the amount of EUR 2,222 thousand *(see note 8).*

- In execution of the resolutions passed at the Extraordinary Shareholders' Meeting held on November 15, 2017, it has proceeded to compensate loss for previous years with the whole of this reserve for the amount of EUR 173,203 thousand.

- As a result of the conversion of the bond compulsorily convertible into shares and of the finance income of EUR 18,401 thousand, reported in the accompanying 2016 income statement when reporting the transaction at the fair value of the settled liability, in 2017 there was a reduction in the voluntary reserves of EUR 18,401 thousand.

The balance at December 31, 2017 of this item amounts to a negative amount of EUR 18,819 thousand (EUR 167,319 thousand positive at December 31, 2016).

Otras reserves-

During 2017, in execution of the resolutions passed at the Extraordinary Shareholders' Meeting held on November 15, 2017, it has proceeded to compensate loss for previous years with the whole of the "*Reserves for redeemed capital*" for the amount of EUR 1,495 thousand and "*PGC first application reserves*" for the amount of EUR 6,873 thousand.

In addition, the Company has a "Merger Reserve" for a negative amount of EUR 85,639 thousand arising as a result of the merger by absorption in 2013 between the Company and Prisa TV, S.A.U.

The "*Loss from previous years*", as a result of the operations described in previous paragraphs of this same note to offset losses, has decreased in 2017 for a total amount of EUR 1,738,404 thousand.

Treasury shares

The changes in *"Treasury shares"* in 2017 and 2016 were as follows:

	Year 2017		Year 2016	
	Number of shares	Amount (thousand of euros)	Number of shares	Amount (thousand of euros)
At beginning of year	**330,407**	**1,735**	**457,037**	**2,386**
Deliveries	(59,682)	(366)	(126,630)	(777)
Reserve for treasury shares	-	(675)	-	126
At end of year	**270,725**	**694**	**330,407**	**1,735**

At December 31, 2017, Promotora de Informaciones, S.A. held a total of 270,725 treasury shares, representing 0.305% of its share capital.

Treasury shares are valued at market price at December 31, 2017 (EUR 2.565 per share). Their total cost is EUR 694 thousand.

At December 31, 2017, the Company did not hold any shares on loan.

Capital management policy

The principal objective of the Company's capital management policy is to achieve an appropriate capital structure that guarantees the sustainability of its business, aligning shareholder interests with those of its various financial creditors.

During recent financial years, considerable efforts have been made to maintain the level of the Group's equity, such as increasing capital by converting 75,000 thousand warrants into shares in January 2012 for EUR 150,000 thousand, issuing, during the same year, bonds mandatorily converted into shares in July 2014 in an amount of EUR 434,000 thousand, issuing 315,421 thousand of shares to deal with the 202.292 thousand warrants issued as part of Prisa's bank debt refinancing in 2013 and capital increases subscribed by Consorcio Transportista Occher, S.A. de C.V. in 2014, and International Media Group S.à.r.l. in 2015, for EUR 100,000 thousand and EUR 64,000 thousand respectively. In addition during 2016, a bond issuance mandatorily convertible into new issue ordinary shares was subscribed through the conversion of financial debt for amount of EUR 100,742 thousand (*see section "Issuance of financial instrument"*).

Also, in 2015, Prisa consolidated and exchanged shares (1 for 30) with the aim of limiting the volatility of the share on the market without its value losing liquidity.

Additionally, with the agreement to refinance its financial debt signed in December 2013, the Company obtained greater flexibility in the process of debt reduction and an improvement in its liquidity profile). This agreement establishes commitments to maintain leverage ratios and interest cover at specific levels *(see note 7.3)*.

Since the signing of the refinancing agreement in 2013, the Company has advanced in the debt reduction process using proceeds from the sale of 17.3% of Mediaset España, 56% of DTS and the trade publishing business, as well as with proceeds from the share capital increase subscribed by Occher and with part of proceeds from the capital increase subscribed by International Media Group, S.á.r.l. and through the issuance of bonds mandatorily convertible into shares via the exchange of financial debt and issued in 2016 and finally converted into shares in 2017.

In addition, in 2017 Prisa's Board of Directors accepted a binding offer for the sale of Media Capital (*see note 1b*), the proceeds from which, where appropriate, will be used to pay down debt.

Also, the General Meeting of Prisa Shareholders' held on 15 November 2017 agreed a series of capital reductions and reserves aimed at adapting the Company's equity structure. These reductions were applied in November 2017. It also agreed a capital increase for EUR 450,000 thousand and, subsequently, expanded by the Board of Directors of Prisa on January 22, 2018, for EUR 113,220 thousand. In February 2018, the capital increase was subscribed and paid out in an amount of EUR 563,220 thousand *(see section "Share Capital" and note 19).*

Lastly, as of January 22, 2018, the Company had signed a framework agreement with all the financial creditors of the Override Agreement to refinance and modify the terms of Prisa's current financial debt (Refinancing framework agreement). The effectiveness of this agreement is subject, among other conditions, to the cancellation of a debt of EUR 450,000 thousand with the funds from the cash capital increase, described above, at the time of the entry into force of the Refinancing agreement *(see section "Share Capital" and note 19).*

9. TAX MATTERS

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

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

	Thousands of Euros	
	2017	**2016**
Sum of individual tax bases	**(152,067)**	**95,676**
Offset of tax losses arising prior to inclusion in the Group	-	(3,742)
Offset of Group tax losses	-	(65,013)
Consolidated taxable profit	**(152,067)**	**26,921**
Consolidated gross tax payable	**-**	**6,730**
Double taxation tax credits generated	(1,123)	(3,365)
Investment tax credits	-	(841)
Donations tax credits	-	(1,490)
Net tax payable	**-**	**1,034**
Withholdings from tax group	**(32)**	(85)
Advance payments	-	(949)
Income tax refundable	**(32)**	**-**

Reconciliation of the accounting profit (loss) to the taxable profit (tax loss)

The reconciliation of the income and expenses for the year to the taxable profit (tax profit/loss) used to calculate the income tax expense for 2017 and 2016 is as follows (in thousands of Euros):

	2017			2016		
	Income statement	Items recognised in Equity with tax impact	Total	Income statement	Items recognised in Equity with tax impact	Total
Balance of income and expenses for the year from continue activities	**(131,598)**	**(38)**	**(131,636)**	**(1,298)**	**(438)**	**(1,736)**
Income tax *	(22,553)	(13)	**(22,566)**	(20,336)	(146)	**(20,482)**
Withholding *	1	-	**1**	-	-	**-**
Adjustment of prior years' income tax *	(4,272)	-	**(4,272)**	(6,245)	-	**(6,245)**
Derecognition of tax credits *	9,723	-	**9,723**	38,000	-	**38,000**
Individual permanent differences *	58,487	-	**58,487**	(85,503)	-	**(85,503)**
Individual temporary differences *	39,361	**-**	**39,361**	76,787	**-**	**76,787**
Taxable profit	**(50,851)**	**(51)**	**(50,902)**	**1,405**	**(584)**	**821**

*This amount is a component of the recognised income tax

The permanent differences correspond mainly to: (i) the different accounting and tax treatment of investment valuation provisions and risks and expenses, which are not tax deductible and generate an increase of EUR 2,241 thousand, (ii) a negative adjustment of the exemption of dividends, for EUR 12,225 thousand, to which article 21 of the Spanish Corporation Tax Law applies, (iii) a negative adjustment of the tax merger difference corresponding to 2017 (for EUR 19,294 thousand), arising from the merger operation of the companies Promotora de Informaciones, S.A. and Prisa Televisión, S.A.U. (merger by takeover described in Note 17 of the Financial Statement corresponding to 2013), applying the requirements of Article 89.3 of the Tax Law in force at that time to give it tax effect, (iv) a positive adjustment for the contributions made to non-profit organizations for EUR 264 thousand, which generated an expense not deductible from the taxable profit, (v) the different accounting and tax criteria of certain redundancy payments, which represent an increase of EUR 1,968 thousand, (vi) the positive adjustment affected by losses from the agreement signed by and between Prisa and Alice NV., to sale the holding in Vertix S.G.P.S., S.A, included under note 7.2 of these Notes to the Financial Statements, and the different accounting and tax criteria of certain expenses related thereof, which globally amount to EUR 89,073 thousand and (vii) a positive adjustment for the minimum integration into five years of the reversion of impairment losses on the representative values of the holding in the capital of entities that would have been fiscally deductible, established by Royal Decree-Law 3/2016, of December 2, amounting to EUR 150 thousand.

The temporary differences originate mainly from (i) a positive adjustment for the limitation of the deductibility of financial expenses outlined in article 16 of the aforementioned Income Tax Law, which amounts to EUR 33,420 thousand and (ii) the differing accounting and tax recognition criteria resulting from the derecognitions generated in the previous year, as set out by article 11.13 of the Spanish Corporation Tax Law, which entails a positive net integration into the taxable profit of EUR 6,126 thousand.

The regularization of the Corporate Income Tax for previous years mainly reflects the effect of the presentation of the final IS settlement corresponding to the year 2016 for the amount of EUR 1,458 thousand and the recording of the execution, by the Tax Authority of the decision of the National Appellate Court of May 5, 2016, concerning the Tax Audit for the 2003-2005 consolidated corporate tax for the amount of EUR 2,814 thousand.

In Equity are recorded expenses arising from transactions with equity instruments and the tax effect thereof.

Reconciliation of the accounting profit (loss) to the income tax expense

The reconciliation of the accounting profit (loss) to the income tax expense is as follows (in thousands of Euros):

	2017			2016		
	Income statement	**Items recognised in Equity with tax impact**	**Total**	**Income statement**	**Items recognised in Equity with tax impact**	**Total**
Accounting profit (loss) before tax (*)	**(148,699)**	**(51)**	**(148,750)**	**10,121**	**(584)**	**9,537**
Rate os 25%	(37,175)	(13)	**(37,188)**	2,530	(146)	**2,384**
Individual permanent differences on consolidation	14,622	-	**14,622**	(21,376)	-	**(21,376)**
Impact of temporay differences	9,840	-	9,840	19,197	-	19,197
Donations tax credits	-	-	-	(1,490)	-	(1,490)
Current Income tax	**(12,713)**	**(13)**	**(12,726)**	**(1,139)**	**(146)**	**(1,285)**
Deferred income tax	**(9,840)**	**-**	**(9,840)**	**(19,197)**	**-**	**(19,197)**
Adjustment of prior yearsíncome tax	**(4,272)**	**-**	**(4,272)**	**(6,245)**	**-**	**(6,245)**
Loss of tax credits	**9,723**	**-**	**9,723**	**38,000**	**-**	**38,000**
Withholdings	**1**	-	**1**	**-**	-	**-**
Total income tax	**(17,101)**	**(13)**	**(17,114)**	**11,419**	**(146)**	**11,273**

* Including "*Profit (or loss) from discontinued operations, net of tax*"

Tax receivables and tax payables

The detail of the balances with Tax Receivables at December 31, 2017 is as follows (in thousands of Euros):

	Receivable		Payable	
	Current	Non-current	Current	Non-current
Income tax refundable/payable	1,862	-	-	-
Deferred tax assets arising from unused tax credits	-	70,290	-	-
Deferred tax assets arising from negative tax losses upon tax consolidation	-	67,486	-	-
Deferred tax assets arising from temporary differences	-	125,665	-	-
Deferred tax liabilities	-	-	-	28
VAT, personal income tax withholdings, social security taxes and other	199	-	530	-
Total	**2,061**	**263,441**	**530**	**28**

The detail of the balances with Tax Authorities at December 31, 2016 was as follows (in thousands of Euros):

	Receivable		Payable	
	Current	Non-current	Current	Non-current
Deferred tax assets arising from unused tax credits	-	69,097	-	-
Deferred tax assets arising from negative tax losses upon tax consolidation	-	88,564	-	-
Deferred tax assets arising from temporary differences	-	124,940	-	-
Deferred tax liabilities	-	-	-	1,707
VAT, personal income tax withholdings, social security taxes and other	206	-	651	-
Total	**206**	**282,601**	**651**	**1,707**

Deferred tax assets and liabilities

Deferred tax assets-

The pending long-term credit vis-à-vis the Tax Authorities for an amount of EUR 263,441 thousand at December 31, 2017, recorded under "*Deferred tax assets*" corresponds mainly,

- (i) The amount of the deductions for double taxation and investments (other than deductions for export activities) generated by the tax Group which, even though they have not been applied, are registered in the accounting records. Net variation in this respect for the year has entailed an addition of EUR 1,193 thousand.

- (ii) The taxable losses of the Consolidated Tax Group for the financial years 2011, 2012, 2013 and 2017, which are pending application. Net variation in this respect for the year has entailed a withdrawal of EUR 21,078 thousand.

- (iii) The tax credit arising from the limitation of the deductibility of financial expenses, in accordance with the provisions of article 16 of the Corporation Tax Law, in the part corresponding to the Company. Net variation in this respect for the year has entailed an addition of EUR 4,260 thousand.

- (iv) The balance of the amount of the payment of certain tax assessments issued by the tax authorities, which are still the subject of an administrative, or where appropriate, judicial procedure, which the Company has not guaranteed but rather paid. The variation in this respect for the year has entailed a complete withdrawal of EUR 3,448 thousand.

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

	Activated	**Non- activated**
Year of generation	**Amount (thousands of Euros)**	**Amount (thousands of Euros)**
2011	108,053	516
2012	136,220	89,946
2013	22,514	32,992
2015	-	553,992
2017	3,156	148,911
TOTAL	**269,943**	**826,357**

After carrying out the recoverability analysis at the tax group, tax credits for non-deductible financial charges of EUR 3,116 thousand were derecognised, recorded as an increase in Corporate Tax costs in the company and to negative tax bases of the fiscal consolidation group amounting to EUR 22,224 thousand (recorded in the Company as a higher expense for Corporate Tax of EUR 6,607 thousand, and as an expense in the other companies of the fiscal consolidation group of EUR 15,617 thousand).

Once carried out the aforementioned adjustment, the companies' business plans, together with determined tax planning actions, allow for the recovery of deferred tax assets and liabilities recorded in the balance sheet as of December 31, 2017 according to the criteria laid down in the accounting regulation.

The detail of the maturity of the Tax Group's tax deductions, differentiating between activated and non-activated (except the balance of the export tax credit) is as follows:

Year of statute of limitation	ACTIVATED	NON-ACTIVATED
	Amount (Thousands of Euros)	Amount (Thousands of Euros)
2022	-	2,213
2023	-	5,722
2024	202	7,383
2025	13,742	17,823
2026	4,483	6,474
2027	175	3,973
2028	6,501	3,139
2029	1,531	19,209
2030	1,216	3,580
2031	527	1,647
2032	37	45
2033	-	85
2034	-	1,164
No Limits	41,876	10,065
TOTAL	**70,290**	**82,522**

The recovery of deferred tax assets and liabilities of the consolidated tax Group is based on the most recent business plans of its member companies, which have been approved by the Group's management. The tax plan considers the operational developments of these companies and the estimated future cash flows obtained from the remaining companies not members of the consolidated tax Group.

The companies' plans are based on the development of the Group's strategy in the long term and a series of macroeconomic, industry hypotheses for the overall business, in addition to maintaining the leadership position of the Group in the industries in which it operates. Forecasts and studies made by third parties were taken into account during approval.

Projections foresee increases within advertising market, in line with latest available studies and the leadership position of the Group in the different business where it operates. As long as businesses which rely heavily on advertising have a high percentage of fixed costs, an increase in advertising revenues shall have a positive impact on operating margins.

Additionally, projections include the development towards a fundamentally digital model with higher contribution margin. In addition, cost reductions are foreseen as a result of the adjustment plans that are being carried out in recent years.

Santillana foresees an increase in revenue as a result of renewed educational contents, new digital developments and growth initiatives in extra-curricular activities, as well as maintaining institutional sales.

Finally, efficiency processes on corporate services will continue, which will be reduced in the next years.

Santillana and Radio operation's results in Latin America and the operating plans to sell non-strategic assets will contribute to generate future flows within the tax plan, in line with growth expectations foreseen for the countries in which the Group is present.

Years open to examination by the tax authorities

In 2006, the tax authorities completed their audit for income tax for 1999, 2000, 2001, and 2002 of consolidated tax group 2/91, that the Company is the Parent of this group.

Against the Settlement Agreements, relating to Corporate Income Tax, derived from the aforementioned inspections, the company filed the pertinent appeals and claims, which have already been resolved by the competent jurisdictions, although, against derivative settlements of the execution by the Tax Administration of the partially estimative judgements of the Supreme Court, relating to the years 1999 and 2000 and of the writ of inadmissibility for 2001, the company filed the corresponding appeals, which are pending resolution in The National Appellate Court.

In the financial year 2017, Prisa received notice of certain judgments delivered by the National Appellate Court dismissing its claim in relation to the tax settlements deriving from enforcement proceedings for corporate income tax for 1999, 2000 and 2001, which have now become final and binding. The adjustments for these items were provisioned by the Company in prior years.

In the 2010 financial year, the audits for the consolidated Corporate Income Tax corresponding to the 2003 to 2005 financial years were completed, issuing the corresponding Notice that was signed on a contested basis and that includes a settlement amounting to EUR 20,907 thousand (tax plus interest). Against this act, the Company filed the relevant economic-administrative claims and judicial remedies. In 2016, the Company received a partially estimative judgement that has acquired firmness. In 2017, the Tax Authority has executed the decision of the National Appellate Court mentioned above, which has led to receiving a refund of EUR 6,874 thousand, which generated an income from corporation tax of EUR 2,814 thousand and the rest of the amount has been recorded in the income statement according to the nature of the regularized concept.

The audit relating to VAT from June 2004 to December 2006 concluded with the issuance of a Notice signed on a contested basis amounting to EUR 5,416 thousand, against which the company filed the claims and corresponding appeals. In the year 2016, the Entity received a firm judgement from the Supreme Court and its effect was recorded in the accounting year 2016 itself. The tax liability arising from this Notice was paid, and was recognized as a long-term credit vis-à-vis the Revenue Authorities, which in 2016 was discharged. In 2017, the Tax Authority has executed the decision of the National Appellate Court mentioned above, which has led to receiving a refund of EUR 367 thousand. The adjustments for these items were provisioned by the Company in prior years.

In the 2013 financial year, the tax audits at the consolidated tax Group relating to income tax for 2006 to 2008 were completed, with the issuance of a notice signed on a contested basis, amounting to EUR 9 thousand, which was paid by the Company. Since the Company did not agree with the criteria used in the tax audit relating to the proposed adjustment, it filed an appeal to the Board of Tax Appeals at the TEAC. In 2017 a partial resolution has been received from the TEAC, against which the corresponding administrative appeal has been filed before the National Appellate Court. The settlement agreement included the regularization, by the Inspection, of the entire amount of the deduction for export activity generated in that period.

With regards to VAT for the period from June 2007 to December 2008, the tax audits concluded during the 2013 financial year with the issuance of two Notices, one for EUR 539 thousand, and the other for EUR 4,430 thousand, have both been the subject of appeal to the Board of Tax Appeals before the TEAC. In the financial year 2017, a resolution has been received from the TEAC partially upholding Prisa's claim, against which the corresponding administrative appeal has now been filed, which is currently pending resolution. The tax liability arising from these Notices was paid and was recognized as a long-term credit vis à vis the Tax Authorities, which in 2016 was discharged, and its effect recorded in the accounts.

During 2011, verification and inquiry actions were initiated with regard to the tax on raffles, tombolas, wagers and promotional draws for 2007 to 2010 at Prisa Televisión, S.A.U. (a company taken over by Promotora de Informaciones, S.A.), which concluded with the issuance of a notice signed on a contested basis from which a determination of EUR 8,570 thousand arose (tax plus interest), against which the Company filed the corresponding appeals and claims. Against the Judgement of the National High Court, partially upheld the Group's claims, the corresponding cassation appeal was filed it before the Supreme Court. Even though the relevant appeals were filed, the tax liability arising from these Notices was paid and recognized as a credit vis à vis the Revenue Authorities. In previous years, the Tax Authority executed the resolution partially upheld by the TEAC, and refunded the Company EUR 7,441 thousand. In the financial year 2017 Prisa received notice of a judgement delivered by the Supreme Court dismissing the case, which is final and binding. The adjustments for these items were provisioned by the Company in prior years.

In the fiscal year 2016, the inspections referred to the consolidated tax Group fiscal 2/91, of which Promotora de Informaciones, S.A. is the parent company, for income tax for the years 2009 to 2011 and VAT for the period from May 2010 to December 2011 of the consolidated tax Group 105/08 , of which Promotora de Informaciones, S.A. is the parent company were completed. As regards this inspections, an Act of Compliance of VAT was signed for the sum of EUR 512 thousand, which was paid and registered in 2016 and another, in Non-compliance, for EUR 7,785 thousand, which, although appealed against, was also paid and recorded as a credit in the form of an advance, the discharge of which was commenced in 2016 and its effect recorded in the accounts. Similarly, the inspection actions corresponding to the Corporate Income Tax for the years 2009 to 2011 was completed, resulting, for Promotora de Informaciones, SA, in the signing of an Act of Non-Compliance with no result to be entered, which generated the recording of a net income for Corporate Income Tax, amounting to EUR 4,779 thousand. The Company has filed a corresponding economic-administrative complaint with the TEAC disagreeing with these Assessments, which is pending resolution.

In the financial year 2017, audit proceedings got under way at Tax Consolidation Group 2/91, of which Promotora de Informaciones, S.A. is the parent company, such proceedings concerning corporate income tax for the years 2012 to 2015 and value added tax, withholdings/payments on account of work-related and professional remuneration, and also non-resident income tax withholdings for the period spanning 02/2013 to 12/2015.

The provision for taxes (*see note 12*) includes an amount of EUR 16,235 thousand to cover potential unfavorable rulings upheld during the various tax proceedings described above.

The Company, subject to the provisions of these paragraphs, has all state taxes open to examination for the last four years. Additionally, the Company has the last four years open to examination for all non-state taxes. It is not expected that there will be accrued liabilities of consideration to the Company in addition to those already registered, as a result of these procedures or of a future and possible inspection.

Transactions under the special regime

The disclosures required by Article 86 of the Spanish Corporation Tax Law relating to corporate restructuring transactions under the special regime of Chapter VII of Title VII of the aforementioned legislation, made in previous years, are included in the notes to the financial statements of the years in which these transactions took place.

In addition, such information regarding the operation of a non-monetary contribution made by Promotora de Informaciones, S.A. to the company Prisa Participadas, S.L. (Sole proprietorship) involving 100% of the shares owned by Prisa in the company Audiovisual Sport, S.L. (*see note 7.1*) is shown in the table below:

	Thousands of Euros	
	Accounting	Tax
Book and tax value of delivered securities:		
- Audiovisual Sport, S.L.	- (*)	187,896
Value by which values received have been recorded:		
- Prisa Participadas, S.L. (Sociedad Unipersonal)	7,480	187,896

(*) The investment was fully provisioned.

10.- INCOME AND EXPENSE

Employees

The detail of "*Employee benefits costs*" in the income statements for 2017 and 2016 is as follows (thousands of euros):

	2017	**2016**
Employer social security costs	496	691
Other employee benefit costs	110	113
Total	**606**	**804**

The average number of employees in 2017 and 2016 was 39 and 55, all of whom had a permanent employment contract. The detail, by gender and professional category, is as follows:

	2017		2016	
	Men	**Women**	**Men**	**Women**
Executives	7	5	11	7
Middle management	2	6	2	6
Qualified line personnel	3	6	6	13
Other	1	9	-	10
Total	**13**	**26**	**19**	**36**

The number of employees at December 31, 2017 was 36 and at December 31, 2016 was 53 all of whom had a permanent employment contract. The detail, by gender and professional category, is as follows:

	12/31/17		12/31/16	
	Men	**Women**	**Men**	**Women**
Executives	6	4	10	7
Middle management	3	6	2	6
Qualified line personnel	2	5	5	12
Other	1	9	1	10
Total	**12**	**24**	**18**	**35**

In 2017 and 2016, there were no people employed with disabilities equal or greater than 33%.

External services

The detail of *"External services"* in 2017 and 2016 is as follows:

	Thousands of Euros	
	2017	2016
Leases and fees	998	928
Repairs and maintenance	314	297
Independent professional services	11,580	10,470
Other outside services	3,764	8,067
Total	**16,656**	**19,762**

The "*Other external services*" includes an expense of EUR 271 thousand corresponding to the liability insurance of Managers and Directors (2016: EUR 281 thousand).

Leases

Different assets used by the Company are under operating lease arrangements, the most significant corresponding to the building of Avenida de los Artesanos, 6 (Tres Cantos), with maturity April 30, 2020. The minimum future payments derived from the lease of this property are as follows:

Exercise	Thousand euros
2018	549
2019	558
2020	189
	1,296

The expense recognized by the Company in the income statement for the years 2017 and 2016 corresponding to this operating lease amounts to EUR 539 thousand.

During 2017 and 2016, the Company has not recorded significant financial leases.

Other results

This item refers to income amounting to EUR 4,634 thousand as a result of the execution, by the Tax Authority, of the decision of the National Appellate Court of May 5, 2016, concerning the Tax Audit for the 2003-2005 consolidated corporate tax.

Fees paid to auditors

The fees for financial audit services relating to the 2017 financial statements of the various companies composing the Prisa Group and subsidiaries provided by Deloitte, S.L. and by other entities related to the auditor amounted to EUR 1,671 thousand (2016: EUR 1,684 thousand), of which EUR 296 thousand relate to Pomotora de Informaciones, S.A. (2016: EUR 180 thousand). Also, the fees relating to other auditors involved in the 2017 audit of the various Group companies amounted to EUR 326 thousand (2016: EUR 361 thousand).

In addition, the fees for other professional services provided to the various Group companies by the principal auditor and by other entities related to the auditor, and fees paid in this connection to other auditors participating in the audit of the various Group companies are as follows (in thousands of euros):

	2017		2016	
	Principal auditor	**Other audit firms**	**Principal auditor**	**Other audit firms**
Other verification services	395	72	472	22
Tax advisory services	50	429	222	348
Other services	257	2,083	747	1,189
Other professional services	**702**	**2,584**	**1,441**	**1,559**

Fees for other professional services provided to the Company by the principal auditor and by other entities related to the auditor are as follows:

	Amount (thousands of euros)	
	2017	**2016**
Other verification services	197	255
Tax advisory services	-	80
Other services	83	418
Other professional services	**280**	**753**

11.- FINANCIAL LOSS

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

	Thousands of Euros	
	2017	2016
Income from temporary financial investments	17	107
Income from loans	5	1,627
Other financial income	1,480	39,283
Financial income	**1,502**	**41,017**
Interest on debts with Group companies	(714)	(2,085)
Interest on debts with third parties	(41,495)	(42,177)
Loan arrangement costs	(12,354)	(17,828)
Other financial expenses	(120)	(17,870)
Financial expenses	**(54,683)**	**(79,960)**
Positive exchange differences	2	52
Negative exchange differences	(248)	(49)
Net exchange differences	**(246)**	**3**
Impairment and losses of financial instruments	**(2,376)**	**62,710**
Financial outcome	**(55,803)**	**23,770**

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

In 2016, the "*Other finance income*" mainly included capital gains on purchases of debt at a discount (EUR 20,667 thousand) and the income generated for the fair value of the bonds issue, mandatorily convertible into shares *(see note 8)*.

12.- PROVISIONS AND CONTINGENCIES

The changes in "*Provisions and contingencies*" in 2017 are as follows (in thousands of euros):

	Balance at 12/31/2016	Additions	Reversals	Transfers	Disposals	Balance at 12/31/2017
Provision for taxes	20,610	-	-	-	(4,375)	16,235
Provision for litigation in progress	985	-	(340)	-	(620)	25
Provisions for third-party liability	3,563	2,001	-	(1,786)	(278)	3,500
Total cost	**25,158**	**2,001**	**(340)**	**(1,786)**	**(5,273)**	**19,760**

In 2017 the "*Provision for taxes*" movement mainly corresponds to the withdrawals arising of the execution, by the Tax Authority of the decision of the National Appellate Court of May 5, 2016, concerning the Tax Audit for the 2003-2005 consolidated corporate tax (*see Note 9*).

With regard to the heading "*Provision for litigation in progress*", in the financial year 2017 the Company paid EUR 620 thousand corresponding to the Supreme Court ruling dated 10 November 2015 confirming a penalty imposed on Warner Sogefilms A.I.E., in accordance with the amount of the fine set by the CNMC. 40% of that amount had to be covered by the Company as a result of its merger with Sogecable, S.A. The rest of the amount provisioned was cancelled, as the provision of this item was no longer necessary.

The main changes under the heading "*Provisions for third-party liability*" correspond basically to the increases in the provisions established to cover the negative equity of the Prisa Audiovisual, S.L. (Sole proprietorship) (EUR 1,373 thousand) and Prisa Gestión de Servicios, S.L. (Sole proprietorship) (EUR 351 thousand) companies as of December 31, 2017, which have been recognized with a charge to the heading "*Impairment of financial assets*" in the accompanying income statement, and the transfers under the heading "*Provisions for third-party liability*" correspond basically to amounts that have been transferred at a lower value for the stake due to the contribution made to re-establish their balance in Prisa Audiovisual, S.L. (Sole proprietorship) in june 2017 *(see note 7.1)*, under the heading transfers.

13.- SHARE-BASED PAYMENTS

The Ordinary Shareholders Meeting held on April 28, 2014 authorised delivery, over a term of five years, of shares of the Company as payment of compensation of directors of the Company and a defined group of executives of the Prisa Group. This authorisation may be used in particular, and without limitation, to make payment in shares in the following compensation categories:

i) Fixed remuneration for belonging to the Board is payable to each of the external directors, to be chosen by them, entirely in cash or 60% cash and 40% in shares of Prisa:

When the choice of director is partial payment in shares of Prisa, they are delivered quarterly. It is recognized an expense for this item on the income statement for 2017 in the amount of EUR 195 thousand.

The 49,745 shares accrued in this category over that period have not yet been fully delivered.

In April 2017 Prisa delivered 5,549 shares in partial payment of the fixed compensation of external directors for the fourth quarter of 2016. The corresponding expense, in an amount of EUR 53 thousand, was entered in the income statement for 2016.

ii) Long term variable compensation (long term incentive) of executive directors of the Company and the Management team of Prisa Group:

- Effective January 1, 2018, Mr. Juan Luis Cebrián has ceased to be Executive Chairman of the Company. In 2017 no provision was recorded for the variable multi-year incentive for the 2016/2018 period that was included in his contract with the Company, since such remuneration had not been recognized upon termination of his contract. The accounting provisions for this concept in 2016 amounting to EUR 500 thousand and in the first half of 2017 amounting to approximately EUR 200 thousand have been derecognised.

- The Ordinary Shareholders Meeting held on April 28, 2014 authorised a long term incentive of the Company (ILP), whereby a given number of ordinary shares of the Company and a given amount of cash may be delivered to a specific group of executive directors of the Company and key managers of the Group, based on their level of responsibility and contribution to the results of the Group, as variable compensation tied to achievement of long term objectives. The Plan was for a term of three years, from January 1, 2014 to December 31, 2016.

  In May 2017, Prisa delivered 38,866 shares in partial payment of this incentive to certain executives. The corresponding expense is recorded in the income statement for the 2016.

iii) Extraordinary incentive

- The Board of Directors has recognized Mr. Cebrián the right to receive an extraordinary incentive linked to the success of the financial restructuring and capitalization as well as the sale of Media Capital, approved by the Extraordinary Shareholders' Meeting of November 15, 2017, with a volume of 1,600,000 shares of Prisa, which is accrued in accordance with the terms and conditions set forth in the resolution of the Meeting.

14.- GUARANTEE COMMITMENTS TO THIRD PARTIES

At December 31, 2017, Prisa had furnished bank guarantees amounting to EUR 1,299 thousand.

Additionally, and within the context of the legal proceedings currently under way between Audiovisual Sport S.L. ("AVS") and Mediapro concerning the agreement to exploit the rights relating to the "La Liga" football league for the 2006/07 and successive seasons, the Company is the counter-guarantor under the bank guarantee of EUR 50,000 thousand posted by AVS in compliance with the court ruling issued by Court of First Instance number 36 of Madrid, upholding the interim relief requested by the Company. This guarantee remains as security in relation to the process of determining the damage and loss resulting from the interim relief of October 8, 2017 currently being heard.

In the opinion of the Company's Directors, the possible effect on the accompanying income statements of the guarantees provided would not be significant.

15.- RELATED PARTY TRANSACTIONS

The transactions performed with Group companies, associates and related parties in 2017 and 2016 are as follows in thousands of euros:

	12/31/2017		12/31/2016	
	Group companies or entities	Significant shareholders	Group companies or entities	Significant shareholders
Receivables	3,516	-	2,260	75
Financial credits	36,217	-	34,296	-
Total receivable accounts	**39,733**	**-**	**36,556**	**75**
Trade payables	347	708	310	548
Financial loans	128,911	533,164	118,037	514,305
Total payable accounts	**129,258**	**533,872**	**118,347**	**514,853**

The aggregate amount of EUR 533,872 thousand mainly includes the loans granted to the companies of the Company for:

- Banco Santander, S.A. for the amount of EUR 16,879 thousand.

- Caixabank, S.A. for the amount of EUR 57,687 thousand (EUR 57,699 thousand at December 31, 2016).

- HSBC Holding, PLC for the amount of EUR 458,599 thousand (EUR 456,606 thousand at December 31, 2016).

The transactions performed with Group companies, associates and related parties in 2017 and 2016 are as follows in thousands of euros:

	2017			2016		
	Directors and executives	Group companies or entities	Significant shareholders	Directors and executives	Group employees, companies or entities	Significant shareholders
Services received	-	714	13,826	-	2,085	15,119
Finance expenses	190	1,046	2,472	90	4,434	1,798
Other expenses	14,452	-	-	8,701	-	348
Total expenses	**14,642**	**1,760**	**16,298**	**8,791**	**6,519**	**17,265**
Finance income	-	5	-	-	1,627	18,401
Dividends received	-	12,225	-	-	10,527	-
Other income	-	7,480	2,222	-	11,417	-
Total revenues	**-**	**19,710**	**2,222**	**-**	**23,571**	**18,401**

All related party transactions have taken place under market conditions.

The amount of EUR 14,452 thousand relates to the accrued salaries of directors for the amount of EUR 9,387 thousand *(see Note 16)* and executives for the amount of EUR 5,065 thousand.
The Finance income for the amount of EUR 18,401 thousand corresponded to the income generated for the fair value of the bonds issue during 2016 (see note 8).

Remuneration of senior executives-

The total aggregate compensation of members of senior management and the Internal Audit Manager (the "Management") in 2017, of Promotora de Informaciones, S.A. and other companies in the Group amounts to EUR 5,065 thousand (EUR 3,516 thousand in 2016).

This compensation is the accounting reflection of the overall compensation of managers and therefore do not match with the remuneration accrued in 2017 that will be included in the Annual Report of Corporate Governance 2017 in which is followed the criteria required by the CNMV in the "Circular 7/2015 of the CNMV" and, by references, in the "Circular 4/2013 of the CNMV, whereby the model of annual report remuneration of directors is established", which is not the accounting provision basis.

The aggregate compensation of the managers is the compensation of members of senior management on December 31, 2017, that being understood to be the members of the Business Management Committee that were not executive directors and had an employment relationship with Prisa and other companies in the Group and, furthermore, the internal audit manager of Prisa. Specifically, it is that of the following managers: Mr. Guillermo de Juanes Montmeterme, Mr. Xavier Pujol Tobeña, Ms. Bárbara Manrique de Lara, Mr. Miguel Angel Cayuela Sebastián, Mr. Andrés Cardó Soria, Mr. Ignacio Soto Pérez, Ms. Rosa Cullel and Ms. Virginia Fernández.

It has been included the remuneration of Mr. Guillermo de Juanes Montmerte and Mr. Xavier Pujol Tobeña from their appointment as CFO and General Secretary, respectively, in July 2017.

Within the total remuneration of the managers, it has been also included the following:

- The remuneration of Mr. Fernando Martinez Albacete, Mr. Antonio García-Mon and Ms. Noelia Fernández Arroyo until their resignation as CFO, General Secretary and Managing Director of Business Development and Digital Transformation, respectively, in 2017.

- The remuneration of Mr. Manuel Mirat Santiago for his responsibilities as CEO of Prisa Noticias for the period between January 1 and June 30, 2017, date in which he was appointed executive director of PRISA. The remuneration corresponding to Mr. Mirat since that date is included in the remuneration of the members of the Board of Directors of Prisa.

The total aggregate remuneration of the managers includes, inter alia:

- Annual variable compensation (bonus): reflection of the amount corresponding to theoretical annual variable compensation of the executives if management objectives are achieved. However, since this compensation is subject to achievement of the management objectives at the end of the year 2017, the accounting figure in no way constitutes acknowledgment that that variable compensation has accrued, which will occur, if at all, once the year is closed and the annual accounts of the Group are prepared, based on the level of achievement of the established objectives.

- Regularization of 2016 bonus paid in March 2017, in an amount of EUR 256 thousand.

- Adjustment for payment of the long-term incentive (LTI) for the period 2014 to 2016 to certain directors, approved by the Ordinary Shareholders' Meeting on April 28, 2014 and totaling EUR 198 thousand.

- Post-contractual non-competition agreement and compensation for termination of the contracts of some members of senior management.

Transactions between Group companies, associates and related parties-

Income from services rendered corresponds basically to central corporate services.

The detail, by company, of the dividend income paid by Group companies in 2017 and 2016 is as follows in thousands of euros:

	2017	2016
Mediaset España Comunicación, S.A.	54	52
Total Related	**12,225**	**10,527**
Vertix, S.G.P.S.	12,200	10,500
Canal Club, S.A.	25	27
Total	**12,279**	**10,579**

Transactions between with significant shareholders -

The aggregate amount of EUR 16,298 thousand mainly consists of interest accruing on credits granted by major shareholders to Prisa and expenditure on telephony and Internet by Prisa with Telefónica, S.A..

Transactions with significant shareholders –

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

2017

	12/31/2017
	Significant shareholders
Other transactions (see note 8)	2,222

The negative amount of EUR 2,222 thousand corresponds to the accrued remuneration of the bonds convertible into shares until the date of conversion, October 31, 2017 (*see note 8*).

2016

	12/31/2016
	Significant shareholders
Other transactions (see note 8)	84,292

The sum of EUR 84,292 thousand corresponded to the issue of bonds that are convertible into shares made during the year, including the remuneration accrued up *(see note 8)*.

16.- REMUNERATION AND OTHER BENEFITS OF DIRECTORS

In 2017 and 2016, Promotora de Informaciones, S.A. registered the following amounts in respect of remuneration to Board members:

	Thousands of euros	
	2017	2016
Fixed remuneration	2,185	2,210
Variable remuneration	1,972	978
Attendance fees	683	515
Bylaw-stipulated directors' emoluments	1,427	1,402
Other	3,120	80
Total	**9,387**	**5,185**

Regarding the 2017 financial year:

i) On a preliminary note:

- Juan Luis Cebrián stood down as the Company's executive chairman on January 1, 2018. On acceptance of his resignation, the Board of Directors agreed to acknowledge his entitlement to the following remuneration: (i) a retirement or pension plan allowance equivalent to EUR 6,000 thousand ("Retirement Allowance"); and (ii) EUR 1,000 thousand for the 2017 variable incentive. These two amounts were paid to Mr. Cebrián in January 2018.

- On January 1, 2018, Mr. Manuel Polanco Moreno stood down as deputy executive chairman and was appointed non-executive chairman of Prisa. The Board approved this appointment, acknowledging Mr. Polanco's entitlement to compensation due to the termination of the service-level agreement with the Company, equivalent to fifteen months of his last fixed and variable remuneration and totalling EUR 905 thousand, as well as the annual variable pay for 2017 of EUR 264 thousand.

ii) The overall compensation of the Board of Directors includes the remuneration of the directors who ceased during 2017: Ms Blanca Hernández, Mr Glen Moreno, Mr Ernesto Zedillo Ponce de León, Mr Alfonso Ruiz de Assin Chico de Guzman, Mr Alain Minc, Ms Elena Pisonero, Mr José Luis Leal Maldonado and Mr Gregorio Marañón Bertrán de Lis.

It also includes the remuneration of Mr. José Luis Sainz Díaz, who ceased as Director and CEO, effective September 4, 2017.

iii) In relation to the remuneration of the current CEO, Mr. Manuel Mirat Santiago (who is PRISA director from June 30, 2017 and CEO from September 4, 2017) the following notes are made:

- His remuneration from July 1, 2017 to September 3, 2017, corresponds to his duties as CEO of Prisa Noticias, is not included in the table above but it is included in the consolidated annual account.

- His remuneration since September 4, 2017 corresponds to his duties as CEO of Prisa and is included in the table above.

- His remuneration prior to July 1, 2017, that is, for his responsibilities as CEO of Prisa Noticias, is included in the remuneration of senior management.

iv) The aggregated remuneration of Pisa directors reflected in the table above corresponds to the accounting provisions made in the income statement of Prisa and consequently it corresponds to the accounting provisions registered in the profit and loss account.

Therefore the compensation included in the table above, do not match, in some respects, with the remuneration that will be included in the Annual Remuneration Report of the Directors 2017 (IR) and in the Annual Report on Corporate Governance 2017 (IAGC), in which is followed the criteria required by the CNMV in the "Circular 4/2013 of the CNMV, whereby the model of annual report remuneration of directors is established", which is not the accounting provision basis.

v) Items included in the variable remuneration of directors in the above table (whose amounts in some cases differ from those that will be declared in the IR and in the IAGC), are the following:

- Annual variable compensation (bonus): accounting provisions of the amount corresponding to theoretical annual variable compensation of the director Mr Manuel Mirat if management objectives are achieved. However, since this compensation is subject to achievement of the management objectives at the end of the year 2017, the accounting figure in no way constitutes acknowledgment that that variable compensation has accrued, which will occur, if at all, once the year is closed and the annual accounts of the Group are prepared, based on the level of achievement of the established objectives.

- Accounting expense recognised in the income statement of EUR 1,000 thousand, EUR 264 thousand and EUR 750 thousand for the variable pay in 2017 of Messrs. Juan Luis Cebrián, Manuel Polanco and Jose Luis Sainz, respectively (see point i) above).

- Regularization of 2016 bonus paid in June 2017, in the negative amount of EUR 131 thousand.

- In 2017 no provision was recorded for the variable multi-year incentive of the previous Chairman, Mr. Juan Luis Cebrián Echarri, for the 2016/2017 period, since such remuneration had not been recognized upon termination of his contract. The accounting provisions for this concept in 2016 amounting to EUR 500 thousand and in the first half of 2017 amounting to approximately EUR 200 thousand have been derecognised.

vi) "Others" includes the following items:

- The compensation for severing the contractual relationship with the CEO José Luis Sainz of EUR 1,875 thousand – the result of applying the termination by mutual accord clause in Mr. Sainz's contract (15 months of his fixed and variable remuneration and the last bonus accrued), as well as EUR 187.5 thousand in connection with the post-contractual non-compete clause in his contract with the Company.

- The accounting expense recognised in the income statement for the compensation payable to Mr. Manuel Polanco of EUR 905 thousand. The Board Remuneration Report does not include this item in the remuneration accrued in 2017.

vii) Regarding Mr. Cebrián's "Retirement Allowance", the sum of EUR 6,000 thousand is not included in the table above because a provision was already recognised in 2014 covering the full amount.

viii) Also under "Other" are not included EUR 90 thousand and EUR 100 thousand that correspond to the ex-director Mr. Gregorio Marañón y Bertran de Lis (for the rendering of legal services) and the director Mr. Dominique D´Hinin (for advising the Chairman and the CEO on the Company´s Refinancing Plan), respectively, but these amounts are included in the tables of section D of the Annual Report on Remuneration of Directors.

Information about these transactions is included in note 15 *"Related party transactions"* of this report.

ix) No other credits, advances or loans occurred, nor were pension obligations incurred, in respect of the Board of Directors during 2017.

17.- INFORMATION REGARDING CONFLICT OF INTEREST SITUATIONS OF DIRECTORS

For purposes of article 229 of the Corporate Enterprise Act it is noted that, as at the end of 2017, the Board of Directors had not been advised of direct or indirect conflict situations that directors or persons related thereto (in accordance with article 231 of the aforesaid Act) might have had with the interests of the Company.

Notwithstanding the foregoing, the Board of Directors has been informed by the Directors of the following activities carried out by them or by certain persons related thereto, in companies engaged in activities of the same or an analogous or complementary kind as the one constituting the purpose of the Company or the companies in its Group:

Director	Activity	Person related to the Director	Activity
Juan Luis Cebrián Echarri	Director of the following companies: Le Monde, Le Monde Libre and Societe Editrice Du Monde.		
Manuel Polanco	Joint and Several Director of Canal Club de Distribución de Ocio y Cultura, S.A.		
Joseph Oughourlian	See note (*)		
John Paton	Director of Guardian Media Group. Chairman of Ventures LLC IVA. Ventures is an advisor to Cxense, a public company based in Norway specializing in data analysis. PRISA		

Director	Activity	Person related to the Director	Activity
	is a client of Cxense.		
Shk. Dr. Khalid bin	Vice Chairman of Dar Al		
Thani bin Abdullah Al-Thani	Sharq Printing Publishing & Distribution Co. Vice chairman of Dar Al Arab Publishing & Distribution Co.		
Dominique D´Hinnin	0.1% interest in the share capital of Lagardère SCA.		
Javier Monzón de Cáceres		Spouse	His spouse is manager and held a shareholding of 75% of the share capital of the company Derecho y Revés, S.L., with publishing activity

(*) Mr. Joseph Oughourlian controls Amber Capital, its affiliates and subsidiaries (together "Amber Capital"), which act as investment manager, general partners, managing members and managers to funds, accounts, and other investment vehicles (together, the "Amber Funds") that invest in public and private companies in Europe, North America and Latin America, which includes trading in entities with activities the same, similar or complementary to Prisa. Mr. Oughourlian also act as a managing partner to Amber Capital and as a portfolio manager to various Amber Funds.

The companies in the Prisa Group are not included in this list. As already indicated in the Annual Corporate Governance Report of the Company, as of December 31, 2017 the following Directors of Promotora de Informaciones, S.A. were members of management bodies of certain companies in the Prisa Group: Juan Luis Cebrián Echarri, Manuel Polanco Moreno, Manuel Mirat Santiago and John Paton.

18.- LITIGATION AND ONGOING CLAIMS

The Company was in the course of a dispute with Indra Sistemas, S.A., ("Indra") as a result of an attempt by Indra to terminate unilaterally the Framework Contract dated 22 December 2009, for the global outsourcing of information technology management services and development of the I+D+i Projects. However, the Company signed a settlement agreement with Indra, as of November 27, 2017, through which the existing controversy has been solved and, consequently, both parties have abandoned their claims.

On the other hand, as shown in Note 14, the Company is counter-guarantor of a guarantee for an amount of EUR 50,000 thousand that its subsidiary AVS submitted before the Court of First Instance no. 36 of Madrid, as a guarantee for an incident of damage assessment caused by the precautionary measures urged against Mediaproducción, S.L.("Mediapro"). As at December 5, 2017, the Court handed down a ruling dismissing the right to damages and fully upheld the opposition of AVS, which was notified to the parties on January 9, 2018. In February 2018, Mediapro appealed such ruling.

The Company's Directors, internal and external legal advisors do not believe that resolution of this litigation will entail any relevant liabilities not registered by the Company.

In addition, the Company has other litigation for smaller amounts. The Directors, internal and external advisors do not consider that any relevant liabilities will arise from this litigation.

19.- SUBSEQUENT EVENTS

As of January 16, 2018, the Company had signed a framework agreement with most of its financial creditors, the Lock-up Agreement, which governs the basic terms and procedure to follow to refinance and modify the terms of Prisa's current financial debt. From that date and up to January 22, 2018, the remaining financial creditors signed up to the Lock-up Agreement, whereby on the date these consolidated financial statements were drafted, all financial creditors in the *Override Agreement* had signed said framework agreement.

The basic terms of the Refinancing agreed with all creditors contain the following main agreements:

- (i) Extension of the debt maturity date to November and December 2022.
- (ii) The payment schedule does not set out obligatory amortizations during the first three years from January 16, 2018 to December 2020, with a later repayment schedule adjusted to the expected cash generation of Prisa group businesses.
- (iii) The reallocation of debt currently recorded at Prisa to bring it closer to the education business taking advantage of its cash flow capacity.
- (iv) The partial modification of the package of debt guarantees.
- (v) The agreement sets out an initial repayment of EUR 450,000 thousand to be made out of funds from the capital increase approved by the Annual General Shareholders' Meeting held on November 15, 2017, to be made at the time the refinancing comes into effect.

The Lock-up Agreement sets out a limited number of termination situations that would enable creditors to dissolve their commitment to support the modifications proposed for the financing regulated in the *Override Agreement*, and that as of the date of these consolidated financial statements are: (i) the existence of a deadline to reach an agreement with the financial creditors on the new terms of the *Override Agreement* not expressly provided for in the Lock-up Agreement (June 30, 2018, although it could be extended by the majority of participants in the Lock -up Agreement); (ii) material incompliance by the company with its obligations arising from the Lock-up Agreement; (iii) a relevant administrative or legal authority issues an order or resolution that impedes the execution of the agreed Refinancing, and (iv) the company possibly being put into administration.

The Directors of the company consider that none of the termination cases will occur.

In addition, on January 22, 2018 the Prisa Board of Directors unanimously approved a capital increase with preferential subscription rights for EUR 113,220 thousand.

Both the capital increase for EUR 113,220 thousand and the increase approved by the Annual General Shareholders' Meeting of Shareholders on November 15, 2017 for EUR 450,000 thousand had been fully subscribed and paid out in February 2018.

20.- EXPLANATION ADDED FOR TRANSLATION TO ENGLISH

These financial statements are presented on the basis of accounting principles generally accepted in Spain. Certain accounting practices applied by the Company that conform with generally accepted accounting principles in Spain may not conform with generally accepted accounting principles in other countries.

DIRECT HOLDINGS

INVESTEE	REGISTERED OFFICE	LINE OF BUSINESS	12-31-2017 (In thousands of euros)							
			CARRYING AMOUNT	% OF OWNERSHIP	TAX GROUP (*)	SHARE CAPITAL	RESERVES	PROFIT (LOSS)	SHAREHOLDERS' EQUITY	EBIT
Prisa Brand Solutions, S.L. (Sociedad Unipersonal)	C/ Valentín Beato, 48. Madrid	Contracting of advertising exclusives	9,245	100.00%	2/91	150	9,291	(243)	9,198	(148)
Audiovisual Sport, S.L	Av. de los Artesanos, 6 Tres Cantos. Madrid	Management and distribution of audiovisual rights	-	80.00%	2/91	6,220	3,404	(2,587)	7,037	(477)
Prisa Audiovisual, S.L. (Sociedad Unipersonal)	Gran Vía, 32. Madrid	Holding company	-	100.00%	2/91	3	-	(1,376)	(1,373)	(1,626)
Prisa Gestión de Servicios, S.L.	Gran Vía, 32. Madrid	Management and development of all types of administrative, accounting, financial, personnel selection, human resources and legal	-	100.00%	2/91	3	81	(435)	(351)	(573)
Prisa Participadas, S.L.	Gran Vía, 32. Madrid	Rent of commercial and industrial premises and constitution and management of companies	510,457	100.00%	2/91	72,534	416,339	(11,214)	477,659	(16,660)
Promotora de Actividades América 2010, S.L. *(En liquidación)*	Gran Vía, 32. Madrid	Production and organization of activities marking the bicentenary of American independence	-	100.00%	2/91	10	(1,783)	(4)	(1,777)	(0.4)
Promotora de Actividades Audiovisuales de Colombia, Ltda.	Calle 80, 10 23 . Bogotá. Colombia	Audiovisual and communication activities	-	99,00%		420	(351)	0.2	69	-
Vertix, SGPS, S.A.	Rua Mario Castelhano, nº 40, Queluz de Baixo. Portugal	Holding company	-	100.00%		268,041	117,724	16,511	402,275	(215)
Canal Club de Distribución de Ocio y Cultura, S.A.	Calle Hermosilla, 112. Madrid	Catalogue sales	36	25.00%		60	12	74	145	74
Diario El País México, S.A. de C.V.	Avenida Universidad 767. Colonia del Valle. México D.F. México	Operation of El País newspaper in Mexico	34	97.42%		11,209	(8,106)	(1,797)	1,305	(1,787)
Prisa Noticias, S.L.	Gran Vía, 32. Madrid	Management and operation of the media	96,126	100.00%	2/91	38,596	45,637	1,852	86,085	(389)
Promotora General de Revistas, S.A.	Valentín Beato, 48. Madrid	Publication production and operation of magazines	1	99.96%	2/91	1,500	1,346	(336)	2,510	27
Promotora de Emisoras, S.L	Gran Vía, 32. Madrid	Radio broadcasting services	24	100.00%	2/91	2,500	20,835	246	23,581	241
Promotora de Emisoras de Televisión, S.A.	Gran Vía, 32. Madrid	Operation of television channels	3,751	25.00%	2/91	19,061	(4,558)	176	14,679	35

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

(¹) Data as of November 2017

INVESTEE	REGISTERED OFFICE	LINE OF BUSINESS	12-31-2017 (In thousands of euros)				
			% OF OWNERSHIP	TAX GROUP (*)	SHARE CAPITAL	SHAREHOLDERS' EQUITY	EBIT
EDUCACIÓN							
Activa Educa, S.A. (Guatemala)	26 Avenida 2-20 zona 14 . Guatemala – Guatemala	Publishing	75.00%		623	138	358
Avalia Qualidade Educacional Ltda.	Rua Padre Adelino, 758. Belezinho. Sao Paulo. Brasil	Publishing	75.00%		1,958	1,100	(448)
Distribuidora y Editora Richmond, S.A.	Edificio Punto 99, Carrera 11ª Nº98-50 Oficina 501. Bogotá. Colombia	Publishing	75.00%		113	1,057	718
Ediciones Grazalema, S.L.	Rafael Beca Mateos, 3. Sevilla	Publishing	75.00%	2/91	60	133	(1)
Ediciones Santillana Inc.	1506 Roosevelt Avenue. Guaynabo. Puerto Rico	Publishing	75.00%		1,065	9,193	2,035
Ediciones Santillana, S.A. (Argentina)	Leandro N. Alem. 720. Buenos Aires. 1001. Argentina	Publishing	75.00%		5,316	7,607	14,992
Ediciones Santillana, S.A. (Uruguay)	Juan Manuel Blanes 1132 Montevideo Uruguay	Publishing	75.00%		147	1,123	598
Edicions Obradoiro, S.L.	Ruela de Entrecercos. 2 2º B. 15705. Santiago de Compostela	Publishing	75.00%	2/91	60	78	(0.4)
Edicions Voramar, S.A.	Valencia, 44. 46210. Pincaya. Valencia	Publishing	75.00%	2/91	60	94	(1)
Editora Moderna Ltda.	Rua Padre Adelino, 758. Belezinho. Sao Paulo. Brasil	Publishing	75.00%		20,587	63,738	41,123
Editora Pintangua, LTDA	Rua Urbano Santos. 755. Sala 4. Bairro Cumbica. Cidade de Guarulhos. Sao Paulo. Brasil	Publishing	75.00%		25	104	42
Editorial Nuevo México, S.A. de C.V.	Avenida Rio Mixcoac 274 Col Acacias. México DF. México	Publishing	75.00%		1,287	593	379
Editorial Santillana, S.A. (Guatemala)	26 Avenida 2-20 zona 14 . Guatemala - Guatemala	Publishing	75.00%		72	7,657	5,584
Editorial Santillana, S.A. (Honduras)	Colonia los Profesionales Boulevar Suyapa, Metropolis Torre 20501, Tegucigalpa Honduras	Publishing	75.00%		20	2,717	1,824
Editorial Santillana, S.A. (Rep. Dominicana)	Juan Sánchez Ramírez, 9. Gazcue. Santo Domingo. República Dominicana	Publishing	75.00%		118	9,811	3,397
Editorial Santillana, S.A. (Venezuela)	Avenida Rómulo Gallegos. Edificio Zulia 1º. Caracas. Venezuela	Publishing	75.00%		3,625	1,197	938
Editorial Santillana, S.A. de C.V. (México)	Avenida Rio Mixcoac 274 Col Acacias. México DF. México	Publishing	75.00%		24,019	14,085	345
Editorial Santillana, S.A. de C.V. (El Salvador)	3a. Calle Poniente Y 87 Avenida Norte, No. 311, colonia Escalon San Salvador	Publishing	75.00%		18	3,822	1,608
Editorial Santillana, S.A.S (Colombia)	Edificio Punto 99, Carrera 11ª Nº98-50 Oficina 501. Bogotá. Colombia	Publishing	75.00%		1,676	4,176	319
Educa Inventia, Inc. (Puerto Rico)	1506 Roosevelt Avenue. Guaynabo. Puerto Rico	Publishing	75.00%		755	(844)	155
Educa Inventia, S.A. de C.V. (México)	Avenida Rio Mixcoac 274 Col Acacias. México DF. México	Publishing	75.00%		4,882	146	(2,009)
Educactiva Ediciones, S.A.S. (Colombia)	Avenida El Dorado No. 90 – 10 Bogotá, Colombia	Publishing	75.00%		46	(210)	(54)
Educactiva, S.A. (Chile)	Avenida Andrés Bello 2299 Oficina 1001 Providencia. Santiago Chile	Publishing	75.00%		16,527	(35)	(27)
Educactiva, S.A.C. (Perú)	Av. Manuel Olguin Nro. 215 Int. 501/ Los Granados/ Santiago de Surco/ Lima, Perú	Publishing	75.00%		974	1,028	480
Educactiva, S.A.S. (Colombia)	Avenida El Dorado No. 90 – 10 Bogotá, Colombia	Publishing	75.00%		4,543	2,877	777
Grupo Pacifico, S.A. (Panamá)	Urbanización Industrial Orillac, Vía Transistmica, Calle Segunda, Local No. 9, Rep. de Panamá.	Publishing	75.00%		260	6,467	(655)
Kapelusz Editora, S.A. (Argentina)	Leandro N. Alem. 720. Buenos Aires. 1001. Argentina	Publishing	75.00%		287	432	1,011

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

INDIRECT HOLDINGS

INVESTEE	REGISTERED OFFICE	LINE OF BUSINESS	12-31-2017 (In thousands of euros)					
			% OF OWNERSHIP	TAX GROUP (*)	SHARE CAPITAL	SHAREHOLDERS' EQUITY	SHAREHOLDERS' EQUITY	EBIT
Grup Promotor D'Ensenyement i Difussió en Catalá, S.L.	Frederic Mompou, 11. V. Olímpica. Barcelona	Publishing	75.00%	2/91	60	-	97	(2)
Grupo Santillana Educación Global, S.L.	Av. de los Artesanos, 6 Tres Cantos. Madrid	Publishing	75.00%	2/91	12,018	-	(9,353)	32,892
Inevery DPS, S.L.	Av. de los Artesanos, 6 Tres Cantos. Madrid	Editorial, cultural, educational, leisure and entertainment services; and development and commercialization of educational content.	75.00%	2/91	250	-	527	16
Ítaca, S.L.	Av. de los Artesanos, 6 Tres Cantos. Madrid	Book distribution	75.00%	2/91	408	-	1,534	97
Lanza, S.A. de C.V.	Avenida Rio Mixcoac 274 Col Acacias. México DF. México	Creation, development and management of companies	75.00%		13,038	-	11,455	-
Pleno Internacional, SPA	Avenida Andres Bello N° 2299 Oficina 1001 Providencia - Santiago	Advice and consulting, development and sale of software	52.50%		1	-	(192)	27
Richmond Educação, Ltda.	Rua Padre Adelino, 758. Belezinho. Sao Paulo. Brasil	Publishing	75.00%		25	-	150	66
Richmond Publishing, S.A. de C.V.	Avenida Rio Mixcoac 274 Col Acacias. México DF. México	Publishing	75.00%		4	-	7,956	3,253
Salamandra Editorial, Ltda.	Rua Urbano Santos 755, Sao Paulo. Brasil	Publishing	75.00%		25	-	2,683	1,466
Santillana Administraçao de Biens, LTDA	Rua Padre Adelino, 758. Belezinho. Sao Paulo (Brasil)	Property management	75.00%		1,370	-	2,420	697
Santillana Canarias, S.L.	Urbanización El Mayorazgo. Parcela 14, 2-7B. Santa Cruz de Tenerife	Publishing	75.00%	2/91	60	-	63	0.2
Santillana de Ediciones, S.A. (Bolivia)	Calle 13, Nº 8078. Zona de Calacoto. La Paz. Bolivia	Publishing	75.00%		343	-	2,605	2,202
Santillana del Pacífico, S.A. de Ediciones.	Avenida Andres Bello 2299 Oficina 1001-1002 Providencia. Santiago Chile	Publishing	75.00%		427	-	8,083	4,179
Santillana Editores, S.A.	R. Mario Castelhano, 40 - Queluz de Baixo - 2734-502 Baracarena - Portugal	Publishing	75.00%		1,250	-	(228)	(889)
Santillana Educación, S.L.	Av. de los Artesanos, 6 Tres Cantos. Madrid	Publishing	75.00%	2/91	7,747	(20,000)	71,808	31,542
Santillana Formación, S.L.	Av. de los Artesanos, 6 Tres Cantos. Madrid	Complementary educational services	75.00%	2/91	300	-	(986)	(1,205)
Santillana Global, S.L.	Av. de los Artesanos, 6 Tres Cantos. Madrid	Publishing	75.00%	2/91	2,276	-	3,182	(6,246)
Santillana Infantil y Juvenil, S.L.	Av. de los Artesanos, 6 Tres Cantos. Madrid	Publishing	75.00%	2/91	65	-	2,201	1,341
Santillana Sistemas Educativos, Ltda. (Colombia)	Edificio Punto 99, Carrera 11ª Nº98-50 Oficina 501. Bogotá. Colombia	Consultancy services for the obtainment of quality certification by schools	75.00%		63	-	3,094	2,239
Santillana Sistemas Educativos, S.L.	Av. de los Artesanos, 6 Tres Cantos. Madrid	Publishing	75.00%	2/91	220	-	24,831	(12)
Santillana USA Publishing Co. Inc.	2023 NW 84th Avenue. Doral. Florida. EE.UU.	Publishing	75.00%		60,560	-	(1,988)	(539)
Santillana, S.A. (Costa Rica)	La Uruca. 200 m Oeste de Aviación Civil. San José. Costa Rica	Publishing	75.00%		465	-	3,242	3,218
Santillana, S.A. (Ecuador)	Calle De las Higueras 118 y Julio Arellano. Quito. Ecuador	Publishing	75.00%		978	-	5,203	6,062
Santillana, S.A. (Paraguay)	Avenida Venezuela. 276. Asunción. Paraguay	Publishing	75.00%		137	-	1,241	703
Santillana, S.A. (Perú)	Avenida Primavera 2160. Santiago de Surco. Lima. Perú	Publishing	71.25%		3,275	(651)	4,902	2,543
Sistemas Educativos de Enseñanza, S.A. de C.V.	Avenida Rio Mixcoac 274 Col Acacias. México DF. México	Publishing	75.00%		11,493	-	3,386	3,164
Soluçoes Inovadoras em Educaçao LTDA. (SIEDUC) *(Antes Uno Educação Ltda.)*	Rua Padre Adelino, 758. Belezinho. Sao Paulo. Brasil	Publishing	75.00%		33,355	-	12,214	2,128
Vanguardia Educativa Santillana Compartir, S.A. de C.V.	Avenida Rio Mixcoac 274 Col Acacias. México DF. México	Publishing	75.00%		3	-	117	119
Zubia Editoriala, S.L.	Polígono Lezama Leguizamon. Calle 31. Etxebarri. Vizcaya	Publishing	75.00%	2/91	60	-	96	2

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

INDIRECT HOLDINGS

INVESTEE	REGISTERED OFFICE	LINE OF BUSINESS	12-31-2017 (In thousands of euros)				
			% OF OWNERSHIP	TAX GROUP (*)	SHARE CAPITAL	SHAREHOLDERS' EQUITY	EBIT
RADIO							
RADIO ESPAÑA							
Antena 3 de Radio de León, S.A.	Gran Vía, 32. Madrid	Operation of radio broadcasting stations	75.19%		40	253	38
Compañía Aragonesa de Radiodifusión, S.A.	Paseo de la Constitución, 21. Zaragoza	Operation of radio broadcasting stations	73.28%		455	3,435	59
Ediciones LM, S.L.	Plaza de Cervantes, 6. Ciudad Real	Operation of radio broadcasting stations	37.76%		526	3,908	625
Gestión de Marcas Audiovisuales, S.A.	Gran Vía, 32. Madrid	Production and recording of sound media	75.52%	2/91	63	716	56
Iniciativas Radiofónicas de Castilla La Mancha, S.A.	Carreteros, 1. Toledo	Operation of radio broadcasting stations	52.86%		14	136	15
Iniciativas Radiofónicas, S.A.	Gran Vía, 32. Madrid	Operation of radio broadcasting stations	70.55%		25	452	17
Ondas Galicia, S.A.	San Pedro de Mezonzo, 3. Santiago de Compostela	Operation of radio broadcasting stations	34.93%		17	290	18
Prisa Radio, S.A.	Gran Vía, 32. Madrid	Operation of radio broadcasting stations	75.52%	2/91	4,171	132,240	(13,589)
Propulsora Montañesa, S. A.	Pasaje de Peña. Nº 2. Interior. 39008. Santander	Operation of radio broadcasting stations	75.44%		485	2,579	542
Radio Club Canarias, S.A.	Avenida Anaga, 35. Santa Cruz de Tenerife	Operation of radio broadcasting stations	71.74%		1,306	1,882	1,608
Radio España de Barcelona, S.A.	Caspe, 6. Barcelona	Operation of radio broadcasting stations	75.01%		45	682	37
Radio Lleida, S.L.	Calle Vila Antonia. Nº 5. Lleida	Operation of radio broadcasting stations	50.22%		(683)	(209)	(705)
Radio Murcia, S.A.	Radio Murcia, 4. Murcia	Operation of radio broadcasting stations	62.93%		377	1,534	534
Radio Zaragoza, S.A.	Paseo de la Constitución, 21. Zaragoza	Operation of radio broadcasting stations	67.97%		890	3,401	1,061
Sociedad Española de Radiodifusión, S.L.(Sociedad Unipersonal)	Gran Vía, 32. Madrid	Operation of radio broadcasting stations	75.52%	2/91	16,482	150,588	10,638
Sociedad Independiente Comunicación Castilla La Mancha, S.A.	Avenida de la Estación, 5 Bajo. Albacete	Operation of radio broadcasting stations	56.34%		219	673	275
Sogecable Música, S.L.	Gran Vía, 32. Madrid	Creation, broadcasting, distribution and exploitation of thematic TV channels	75.52%	2/91	(204)	1,255	(318)
Sonido e Imagen de Canarias, S.A.	Caldera de Bandama, 5. Arrecife. Lanzarote	Operation of radio broadcasting stations	37.76%		306	1,117	386
Teleradio Pres, S.L.	Avenida de la Estación, 5 Bajo. Albacete	Media management	56.72%		7	408	(2)
Teleser, S.A.	Gran Vía, 32. Madrid	Operation of radio broadcasting stations	59.86%		6	104	6
Laudio Irratia, S.L.	Pol.Industrial Ed.Cermámica 1.Alava	Operation of radio broadcasting stations	19.96%		29	270	29
Radio Jaén, S.L.	Obispo Aguilar, 1. Jaén	Operation of radio broadcasting stations	27.18%		106	1,017	98

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

INDIRECT HOLDINGS

INVESTEE	REGISTERED OFFICE	LINE OF BUSINESS	12-31-2017 (In thousands of euros)			
			% OF OWNERSHIP	SHARE CAPITAL	SHAREHOLDERS' EQUITY	EBIT
RADIO INTERNACIONAL						
Abril, S.A.	Eliodoro Yañex. Nº 1783. Comuna Providencia Santiago. Chile	Commercial radio broadcasting services and operation of radio stations	75.52%	858	3,186	737
Aurora, S.A.	Eliodoro Yañex. Nº 1783. Comuna Providencia Santiago. Chile	Commercial radio broadcasting services and operation of radio stations	75.52%	414	3,572	726
Blaya y Vega, S.A.	Eliodoro Yañex. Nº 1783. Comuna Providencia Santiago. Chile	Commercial radio broadcasting services and operation of radio stations	75.52%	1,971	20,927	289
Caracol Broadcasting Inc.	2100 Coral Way - Miami 33145 - Florida, EE.UU.	Operation of radio broadcasting stations	75.52%	215	783	(457)
Caracol Estéreo, S.A.	Calle 67 Nº 7-37 Piso 7 Bogotá. Colombia	Commercial radio broadcasting services	58.18%	3	2,732	941
Caracol, S.A.	Calle 67 Nº 7-37 Piso 7 Bogotá. Colombia	Commercial radio broadcasting services	58.18%	11	35,799	9,153
Comercializadora Iberoamericana Radio Chile, S.A.	Eliodoro Yañex. Nº 1783. Comuna Providencia Santiago. Chile	Prodution and sale of CD's, advertising, promotions and events	75.52%	21,312	34,083	282
Compañía de Comunicaciones de Colombia C.C.C. Ltda.	Calle 67 Nº 7-37 Piso 7 Bogotá. Colombia	Commercial radio broadcasting services	71.74%	25	2,316	158
Compañía de Radios, S.A.	Eliodoro Yañex. Nº 1783. Comuna Providencia Santiago. Chile	Commercial radio broadcasting services	75.52%	298	2,116	(113)
Comunicaciones del Pacífico, S.A.	Eliodoro Yañex. Nº 1783. Comuna Providencia Santiago. Chile	Operation and management of TV channels and radio stations	75.52%	458	4,066	690
Comunicaciones Santiago, S.A.	Eliodoro Yañex. Nº 1783. Comuna Providencia Santiago. Chile	Operation and management of TV channels and radio stations	75.52%	456	3,795	1,264
Consorcio Radial de Panamá, S.A	Urbanización Obarrio, Calle 54 Edificio Caracol. Panamá	Advisory services and commercialisation of services and products	75.52%	8	298	13
Corporación Argentina de Radiodifusión, S.A.	Beazley 3860. Buenos Aires. Argentina	Operation of radio broadcasting stations	75.52%	945	332	(686)
Ecos de la Montaña Cadena Radial Andina, S.A.	Calle 67. Nº 7-37. Piso 7. Bogotá. Colombia	Commercial radio broadcasting services	58.00%	0.2	608	66
Emisora Mil Veinte, S.A.	Calle 67. Nº 7-37. Piso 7. Bogotá. Colombia	Commercial radio broadcasting services	57.18%	0.3	400	182
Fast Net Comunicaciones, S.A.	Eliodoro Yañex. Nº 1783. Comuna Providencia Santiago. Chile	Commercial radio broadcasting services and operation of radio stations	75.52%	2	(3,083)	563
GLR Colombia, Ltda.	Calle 67. Nº 7-37. Piso 7. Bogotá. Colombia	Commercial radio broadcasting services	75.52%	263	117	(26)
GLR Chile, Ltda. (*)	Eliodoro Yañex. Nº 1783. Comuna Providencia Santiago. Chile	Operation of radio broadcasting stations	75.52%	39,261	82,127	7,297
GLR Services Inc.	Baypoint Office Tower, 4770 BiScayne Blvd. Suite 700 Miami. FL 33137. EE.UU.	Provision of services to radio broadcasting companies	75.52%	4	2,851	(24)
GLR Southern California, LLC	3500 Olive Avenue Suite 250 Burbank, CA 91505. EE.UU.	Provision of services to radio broadcasting companies	75.52%	22,855	(7,445)	(2,309)
Iberoamerican Radio Holding Chile, S.A.	Eliodoro Yañex. Nº 1783. Comuna Providencia Santiago. Chile	Commercial radio broadcasting services and operation of radio stations	75.52%	3,636	(6,119)	(941)
Iberoamericana Radio Chile, S.A.	Eliodoro Yañex. Nº 1783. Comuna Providencia Santiago. Chile	Commercial radio broadcasting services and operation of radio stations	75.52%	27,371	41,124	4,028
La Voz de Colombia, S.A.	Calle 67. Nº 7-37. Piso 7. Bogotá. Colombia	Commercial radio broadcasting services	57.13%	1	656	171
LS4 Radio Continental, S.A	Rivadavia 835. Ciudad Autónoma de Buenos Aires. Argentina	Radio broadcasting and advertising services	75.52%	4,548	891	162
Prisa Radio Perú, S.A.C.	Avda. Primavera 2160	Publishing of periodicals and other periodicals	75.51%	4		
Promotora de Publicidad Radial, S.A.	Calle 67. Nº 7-37. Piso 7. Bogotá. Colombia	Commercial radio broadcasting services	58.18%	1	1,075	296
Publicitaria y Difusora del Norte Ltda.	Eliodoro Yañex. Nº 1783. Comuna Providencia Santiago. Chile	Operation of radio broadcasting stations	75.52%	966	4,815	(403)
Radio Estéreo, S.A	Rivadavia 835. Ciudad Autónoma de Buenos Aires. Argentina	Radio broadcasting and advertising services	75.52%	364	138	39
Radiodifusion Iberoamerican Chile S.A.	Eliodoro Yañex. Nº 1783. Comuna Providencia Santiago. Chile	Holding	75.52%	12,013	29,850	(3)

INDIRECT HOLDINGS

INVESTEE	REGISTERED OFFICE	LINE OF BUSINESS	12-31-2017 (In thousands of euros)				
			% OF OWNERSHIP	TAX GROUP (*)	SHARE CAPITAL	SHAREHOLDERS' EQUITY	EBIT
Radio Mercadeo, Ltda.	Calle 67. Nº 7-37. Piso 7. Bogotá. Colombia	Commercial radio broadcasting services	46.149%		298	333	(3)
Sociedad de Radiodifusión El Litoral, S.L.	Eliodoro Yañex. Nº 1783. Comuna Providencia Santiago. Chile	Rental of equipment and advertising sales	75.520%		7	4,031	293
Sociedad Radiodifusora del Norte, Ltda.	Eliodoro Yañex. Nº 1783. Comuna Providencia Santiago. Chile	Operation of radio broadcasting stations	75.520%		264	1,697	(22)
Societat de Comunicacio i Publicidat, S.L.	Parc. de la Mola, 10 Torre Caldea, 6º Escalde. Engordany. Andorra	Operation of radio broadcasting stations	74.76%		30	(1,190)	(33)
W3 Comm Inmobiliaria, S.A. de C.V.	Carretera Libre Tijuana. Ensenada 3100. Rancho Altamira Blvd Popotla y Camino al FRACC Misión del Mar. Playas de Rosarito. Baja California. EE.UU.	Real estate development services	75.520%		3,075	2,390	2
Cadena Radiodifusora Mexicana, S.A. de C.V.	Calzada de Tlalpan 3000 col Espartaco México D.F. 04870. México	Operation of radio broadcasting stations	37.76%		1,174	-	-
Cadena Radiópolis, S.A. de C.V.	Calzada de Tlalpan número 3000, Colonia Espartaco, Delegación Coyoacán, Código Postal 04870, Ciudad de México.	Provision of all types of public telecommunications and broadcasting services	37.76%		5,672	5,781	1
El Dorado Broadcasting Corporation	2100 Coral Way. Miami. Florida. EE.UU.	Development of the Latin radio market in the US	18.88%		196	(1,437)	-
GLR Costa Rica, S.A.	Llorente de Tibás. Edifico La Nación. San José. Costa Rica	Operation of radio broadcasting stations	37.76%		1,020	1,129	215
Green Emerald Business Inc.	Calle 54. Obarrio Nº 4. Ciudad de Panamá. Panamá	Development of the Latin radio market in Panama	26.39%		3,986	(5,943)	(539)
Multimedios GLP Chile SPA	Av. Andrés Bello 2325 Piso 9, Providencia	Commercial radio broadcasting services	37.76%		1,044	(1,444)	(1,306)
Promotora Radial del Llano, LTDA	Calle 67 Nº 7-37 Piso 7 Bogotá. Colombia	Commercial radio broadcasting services	38.525%		1	45	21
Q'Hubo Radio, S.A.S	CL 57 No 17 – 48 Bogotá, Colombia	Operation of radio broadcasting stations	29.09%		120	(310)	(113)
Radio Comerciales, S.A. de C.V.	Rubén Darío nº 158. Guadalajara. México	Operation of radio broadcasting stations	37.76%		1,044	1,113	159
Radio Melodía, S.A. de C.V.	Rubén Darío nº 158. Guadalajara. México	Operation of radio broadcasting stations	37.76%		23	210	252
Radio Tapatía, S.A. de C.V.	Rubén Darío nº 158. Guadalajara. México	Operation of radio broadcasting stations	37.76%		80	312	348
Radiotelevisora de Mexicali, S.A. de C.V.	Avenida Reforma 1270. Mexicali Baja California. México	Operation of radio broadcasting stations	37.76%		390	521	(11)
Servicios Radiópolis, S.A. de C.V.	Calzada de Tlalpan 3000 col Espartaco México D.F. 04870. México	Operation of radio broadcasting stations	37.76%		14	334	314
Servicios Xezz, S.A. de C.V.	Calzada de Tlalpan 3000 col Espartaco México D.F. 04870. México	Operation of radio broadcasting stations	37.760%		2	47	43
Sistema Radiópolis, S.A. de C.V. (**)	Avenida Vasco de Quiroga 2000. México D.F. México	Operation of radio broadcasting stations	37.76%		9,393	33,944	15,294
Unión Radio del Pirineu, S.A.	Carrer Prat del Creu, 32. Andorra	Operation of radio broadcasting stations	24.92%		249	325	(1)
W3 Comm Concesionaria, S.A. de C.V.	Carretera Libre Tijuana. Ensenada 3100. Rancho Altamira Blvd Popotla y Camino al FRACC Misión del Mar. Playas de Rosarito. Baja California. EE.UU.	Advisory services on business administration and organisation	75.13%		6	(458)	(60)
WSUA Broadcasting Corporation	2100 Coral Way. Miami. Florida. EE.UU.	Radio broadcasting	18.88%		587	(4,446)	191
Xezz, S.A. de C.V.	Rubén Darío nº 158. Guadalajara. México	Operation of radio broadcasting stations	37.76%		40	83	(26)
MÚSICA							
Gran Vía Musical de Ediciones, S.L.	Gran Vía, 32. Madrid	Provision of musical services	75.52%	2/91	3,000	(2,141)	(3,828)
Planet Events,S.A.	Gran Vía, 32. Madrid	Production and organisation of shows and events	75.52%	2/91	120	(2,649)	(2,651)
Prisa Música, S.A.	Gran Vía, 32. Madrid	Production and organisation of shows and events	75.52%	2/91	712	(2,284)	(2,827)
Prisa Música América, S.A.S.	Calle 98 Nº 18 – 71 Oficina 401	Production and organisation of shows and events	75.52%		537	(2,581)	(2,533)

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

INDIRECT HOLDINGS

INVESTEE	REGISTERED OFFICE	LINE OF BUSINESS	12-31-2017 (In thousands of euros)				
			% OF OWNERSHIP	TAX GROUP (*)	SHARE CAPITAL	SHAREHOLDER S' EQUITY	EBIT
PRENSA							
Agrupación de Servicios de Internet y Prensa, S.L.	Valentín Beato, 44. Madrid	Administrative, technological and legal services and the distribution of written and digital media	100.00%	2/91	1,726	691	(573)
As Chile SPA	Eliodoro Yáñez 1783, Providencia. Santiago. Chile	Publication and operation of As newspaper in Chile	75.00%		908	162	(211)
Diario AS Colombia, SAS	Cl 98, nª 1871 OF401. Bogotá D.C.	Publication and operation of As newspaper in Colombia	75.00%		626	(10)	(208)
Diario As USA, Inc.	2100 Coral Way Suite 603. 33145 Miami, Florida	Publication and operation of As newspaper in USA	75.00%		0.1	366	355
Noticias AS México S.A. de C.V.	Calle Tlalpan, 3000, Col. Espartaco, 04870. México, D.F	Publication and operation of As newspaper in Mexico	75.00%		987	301	(176)
Diario As, S.L.	Valentín Beato, 44. Madrid	Publication and operation of As newspaper	75.00%	2/91	1,400	47,728	3,044
Diario El País Argentina, S.A.	Leandro N. Alem. 720. Buenos Aires. 1001. Argentina	Operation of El País newspaper in Argentina	100.00%		941	37	(341)
Diario El País Do Brasil Distribuidora de Publicaçoes, LTDA.	Rua Padre Adelino. 758 Belezinho. CEP 03303-904. Sao Paulo. Brasil	Operation of El País newspaper in Brazil	100.00%		7,453	56	(2,047)
Prisa Noticias de Colombia, SAS.	Calle 98 No 18- 71 oficinas 401 -402 del edificio Varese Bogotá	Operation of El País newspaper in Colombia	100.00%		1	1	0
Diario El País, S.L.	Miguel Yuste, 40. Madrid	Holding	100.00%	2/91	4,200	(12,337)	(15,436)
Ediciones El País (Chile) Limitada.	Eliodoro Yáñez 1783, Providencia. Santiago. Chile	Publication, operation and sale of El País newspaper in Chile	100.00%		3,351	92	(301)
Ediciones El País, S.L.	Miguel Yuste, 40. Madrid	Publication, operation and sale of El País newspaper	99.99%	2/91	3,306	13,829	6,481
Espacio Digital Editorial, S.L.	Gran Vía, 32. Madrid	Edition and explotation of Huffinton Post digital for Spain	100.00%	2/91	8,501	10,647	568
Estructura, Grupo de Estudios Económicos, S.A.	Miguel Yuste, 42. Madrid	Publication and operation of Cinco Días newspaper	100.00%	2/91	60	(631)	(683)
Grupo de Medios Impresos y Digitales, S.L.	Gran Vía, 32. Madrid	Documentation services	100.00%	2/91	990	20,523	(712)
Meristation Magazine, S.L.	Almogavers 12. Llagostera. Girona	Documentation services	100.00%	2/91	6	(78)	(142)
Pressprint, S.L. (Sociedad Unipersonal)	Valentín Beato, 44. Madrid	Production, printing, publication and distribution of products format	100.00%	2/91	21,500	13,169	(12,103)
Prisa Eventos, S.L.	Miguel Yuste, 40 Madrid	Operation of press media	100.00%	2/91	3	(29)	(51)
As Arabia For Marketing, W.L.L.	D Ring Road, 3488, Doha, Qatar	As on line newspaper marketing in Arabic in the countries of the Middle East and North Africa	49.00%		(196)	(32)	(44)
Betmedia Soluciones, S.L. (¹)	Rua de Garrucha, 8, Santa Crua, 15179 A Coruña	Development, management and operation of websites , platforms and software to perform activities retated to the game	25.00%		6	381	35
Kioskoymás, Sociedad Gestora de la Plataforma Tecnológica, S.L.	Juan Ignacio Luca de Tena, 7. Madrid	Publication and operation of newspapers, magazines in digital format	50.00%		53	(611)	(47)
Le Monde Libre Societé Comandité Simple (²)	17, Place de la Madeleine. París	Holding	20.00%		38	(15,939)	(78)

(*) Consolidated tax group Promotora de Informaciones, S.A.: 2/91
(¹) Data as of November 2017
(²) Data as of December 2016

INDIRECT HOLDINGS

INVESTEE	REGISTERED OFFICE	LINE OF BUSINESS	12-31-2017 (In thousands of euros) % OF OWNERSHIP	TAX GROUP (*)	SHARE CAPITAL	SHAREHOLDERS' EQUITY	EBIT
MEDIA CAPITAL							
Argumentos para Audiovisual, Lda. (CASA DA CRIAÇAO)	Rua Mário Castelhano, nº 40, Queluz de Baixo 2734 506 Barcarena. Portugal	Creation, development, translation and adaptation of texts and ideas for television programmes, films, entertainment, advertising and theatre	94.69%		20	(34)	(57)
COCO-Companhia de Comunicação, Unipessoal, Lda.	Rua Sampaio e Pina, nºs 24-26 1099 044 Lisboa. Portugal	Radio broadcasting	94.64%		50	98	54
DRUMS - Comunicações Sonoras, Unipessoal LDA	Rua Sampaio e Pina, n.ºs 24-26 1070 249 Lisboa. Portugal	Activity of radio broadcasting in the fields of production and broadcasting of programs	94.64%		5	12	6
Emissoes de Radiodifusao, S.A. (RADIO REGIONAL DE LISBOA)	Rua Sampaio e Pina. 24/26. 1099-044. Lisboa. Portugal	Radio broadcasting	94.69%		110	(214)	295
Empresa de Meios Audiovisuais, Lda. (EMAV)	Rua Mário Castelhano, nº 40, Queluz de Baixo 2734 502 Barcarena. Portugal	Purchase, sale and rental of audiovisual media (cameras, videos, special filming and lighting equipment, cranes, rails, etc.)	94.69%		50	922	1,097
Empresa Portuguesa de Cenários, Lda. (EPC)	Rua Mário Castelhano, nº 40, Queluz de Baixo 2734 502 Barcarena. Portugal	Design, construction and installation of decorating accessories	94.69%		50	(564)	(446)
Grupo Media Capital, SGPS, S. A.	Rua Mário Castlhano nº 40. Queluz de Baixo. Portugal	Holdings	94.69%		89,584	96,030	25
Leirimedia, Produçoes e Publicidade, LDA	Rua Sampaio e Pina, nº 24-26 1070 249 Lisboa. Portugal	Production and realization of radio programs and shows, advertising, promotions and representations	94.69%		5	13	9
Media Capital Digital, S.A	Rua Mário Castelhano. Nº 40. 2734-502. Barcarena. Portugal	Publication, multimedia production, distribution, consultancy, sales (mail order, telephone and other) of goods and services as well as the acquisition, supply, preparation and dissemination of journalism by any means	94.69%		55	(2,576)	(439)
Media Capital Música e Entretenimento, S.A (MCME)	Rua Mário Castelhano. Nº 40. 2734-502. Barcarena. Portugal	Publication, graphic arts and the reproduction of recorded media: magazines, audio publication, video reproduction and the provision of services related to music, the radio, television, film, theatre and literary magazines	94.69%		3,050	(949)	(348)
Media Capital Produçoes, S.A. (MCP)	Rua Mário Castelhano. Nº 40. 2734-502. Barcarena. Portugal	Design, development, production, promotion, sale, acquisition, exploitation rights, recording, distribution and dissemination of audiovisual media	94.69%		45,050	4,652	(18)
Media Capital Rádios, S.A (MCR II)	Rua Mário Castelhano. Nº 40. 2734-502. Barcarena. Portugal	Provision of services in the areas of accounting and financial consultancy; performance of radio broadcasting activities in the areas of the production and transmission of radio programmes	94.69%		192	(4,238)	(5)
Media Global, SGPS, S.A. (MEGLO)	Rua Mário Castelhano. Nº 40. 2734-502. Barcarena. Portugal	Holdings	94.69%		37,098	98,814	(77)
Moliceiro, Comunicacao Social, Lda.	Rua Sampaio e Pina. 24/26. 1070 249. Lisboa. Portugal	Broadcasting activity	94.69%		5	19	5
CLMC-Multimedia, Unipessoal, Ltda.	Rua Mário Castelhano, 40, Queluz de Baixo 2734 502 Barcarena. Portugal	Distribution of film activities, video, radio, television, audiovisual and multimedia	94.69%		5	174	6
NOTIMAIA-Publicações e Comunicações, S.A.	Rua Sampaio e Pina, nºs 24/26 1099 044 Lisboa. Portugal	Radio broadcasting	94.69%		5	76	70
BEIRAS FM - Radiodifusão e Publicidade, Unipessoal, Lda. ("BEIRAS FM") (*Antes Penalva do Castelo FM Radiodifusao e Publicidade ,Lda.*)	Rua Sampaio e Pina, nº 24-26 1070 249 Lisboa. Portugal	Broadcasting in production areas and programs transmission	94.69%		5	(105)	41
Plural Entertainment España, S.L.	Gran Vía, 32. Madrid	Production and distribution of audiovisual content	94.69%	2/91	6,000	17,041	(1,669)
Plural Entertainment Inc.	1680 Michigan Avenue. Suite 730. Miami Beach. EE.UU.	Production and distribution of audiovisual content	94.69%		109	(3,385)	(29)
Plural Entertainment Portugal, S.A.	Rua Mário Castelhano, nº 40, Queluz de Baixo 2730 120 Barcarena. Portugal	Production of video and film, organisation of shows, rental of sound and lighting, advertising, sales and representation of registered videos	94.69%		36,650	35,996	(2,567)
Polimedia - Publicidade e Publicaçoes, Lda.	Rua Sampaio e Pina, nº 24-26 1070 249 Lisboa. Portugal	Broadcasting in production areas and programs transmission	94.69%		5	(67)	12
PRC Produçoes Radiofonicas de Coimbra,Lda.	Rua Sampaio e Pina, nºs 24-26 1070 249 Lisboa. Portugal	Cinema production, video and television programs	94.69%		7	(20)	25
Produçao de Eventos, Lda. (MEDIA CAPITAL ENTERTAINMENT)	Rua Mário Castelhano. Nº 40. 2734-502. Barcarena. Portugal	Publication, graphic art and reproduction of recorded media: magazines, audio publication, video reproduction; and provision of services related to music, radio, television, film, theatre and literary magazines	94.69%		5	(585)	136

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

INDIRECT HOLDINGS

APPENDIX II

INVESTEE	REGISTERED OFFICE	LINE OF BUSINESS	12-31-2017 (In thousands of euros) % OF OWNERSHIP	TAX GROUP (*)	SHARE CAPITAL	INTERIM DIVIDEND	SHAREHOLDERS' EQUITY	EBIT
Producciones Audiovisuales, S.A. (NBP IBÉRICA)	Almagro 13. 1º Izquierda. 28010. Madrid	Inactive	94.69%		60		13	-
Produçoes Audiovisuais, S.A. (RADIO CIDADE)	Rua Sampaio e Pina. 24/26. 1099-044. Lisboa. Portugal	Radio broadcasting, production of audio or video advertising spots. Advertising, production and recording of discs. Development and production of radio programmes	94.69%		50		248	202
R 2000 - Comunicaçao Social, Lda.	Rua Sampaio e Pina. 24/26. 1070-249. Lisboa. Portugal	Radio broadcasting in the areas of programme production and transmission	94.69%		5		20	14
Radio Comercial, S.A. (COMERCIAL)	Rua Sampaio e Pina. 24/26. 1070-249. Lisboa. Portugal	Radio broadcasting in the areas of programme production and transmission	94.69%		500		5,472	4,493
Rádio do Concelho de Cantanhede.Lda.	Rua Sampaio e Pina, nºs 24-26 1099 044 Lisboa. Portugal	Radio broadcasting in the areas of programme production and transmission	94.69%		5		28	25
Rádio Litoral Centro, Empresa de Radiodifusao, Lda.	Rua Sampaio e Pina, 24-2 1099 044 Lisboa. Portugal	Radio broadcasting in the areas of programme production and transmission	94.69%		5		20	15
Rádio Nacional - Emissoes de Radiodifusao, Unipessoal Lda.	Rua Sampaio e Pina, nºs 24-26 1099 044 Lisboa. Portugal	Radio broadcasting in the areas of programme production and transmission	94.69%		5		20	14
Rádio Voz de Alcanena, Lda. (RVA)	Rua Sampaio e Pina, nºs 24-26 1099 044 Lisboa. Portugal	Radio broadcasting in the areas of programme production and transmission	94.69%		5		22	15
Rádio XXI, Lda. (XXI)	Rua Sampaio e Pina. 24/26. 1099-044. Lisboa. Portugal	Advisory services, guidance services and operational assistance to public relations	94.69%		5		(1,015)	78
Flor Do Éter Radiodifusão, Lda.	Rua Sampaio e Pina, nºs 24-26 1099 044 Lisboa. Portugal	Radio broadcasting in the areas of programme production and transmission	94.69%		5		11	3
R.C. - Empresa de Radiodifusão, Unipessoal, Lda.	Rua Sampaio e Pina, nºs 24-26 1099 044 Lisboa. Portugal	Radio broadcasting in the areas of programme production and transmission	94.69%		5		59	43
Serviços de Consultoria e Gestao, S.A. (MEDIA CAPITAL SERVIÇOS)	Rua Mário Castelhano. Nº 40. 2734-502. Barcarena. Portugal	Services, publication and sale of electronic goods and services	94.69%		100		209	184
Serviços de Internet, S.A. (IOL NEGÓCIOS)	Rua Mário Castelhano, 40, Queluz de Baixo 2734 502 Barcarena. Portugal	Production of multimedia, audiovisual and phonogram storage media	94.69%		100		253	206
SIRPA. Sociedad de Impresa Radio Paralelo, Lda.	Rua Sampaio e Pina. 24/26. 1099-044. Lisboa. Portugal	Broadcasting in production areas and programs transmission	94.69%		5		156	24
Sociedade de Produçao e Edição Audiovisual, Lda (FAROL MÚSICA)	Rua Mário Castelhano. Nº 40. 2734-502. Barcarena. Portugal	Production of multimedia, audiovisual and phonogram storage media	94.69%		5		(2,010)	180
Televisao Independente, S.A. (TVI)	Rua Mário Castelhano. Nº 40. 2734-502. Barcarena. Portugal	Performance of any TV-related activity such as the installation, management and operation of any TV channel or infrastructure	94.69%		15,926		54,941	30,085
Tesela Producciones Cinematográficas, S.L.	Gran Vía, 32. Madrid	Production and distribution of audiovisual content	94.69%	2/91	1,034		5,749	(6)
Plural Entertainment Canarias, S.L.	Dársena Pesquera. Edificio Plató del Atlántico. San Andrés 38180. Santa Cruz de Tenerife	Production and distribution of audiovisual content	100.00%	2/91	75	0	22	(1)
Chip Audiovisual, S.A. (¹)	Coso, 100 . Planta 3ª puerta 4-50001. Zaragoza	Audiovisual productions for TV	7.50%		600	0	1,714	485
Factoría Plural, S.L. (¹)	Calle Biarritz, 2. 50017 Zaragoza	Production and distribution of audiovisual content	15.00%		175	0	2,272	426
Nuntium Tv, S.L. (¹)	Avenida Alcaide Ramírez Bethencourt, nº 8, Las Palmas de Gran Canaria	Realization, execution and broadcasting of audiovisual programs, radio programs and / or podcasts of informative content, entertainment, and other complementary services necessary for their emission through all kinds of technologies	45.00%		4	0	12	(1)
Productora Canaria de Programas, S.A.	Enrique Wolfson, 17. Santa Cruz de Tenerife	Development of a promotional TV channel for the Canary Islands	40.00%		601	0	904	3
Sociedad Canaria de Televisión Regional, S.A.	Avenida de Madrid s/n. Santa Cruz de Tenerife	Audiovisual productions for TV	40.00%		910	(300)	1,411	436

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

INDIRECT HOLDINGS

INVESTEE	REGISTERED OFFICE	LINE OF BUSINESS	12-31-2017 (In thousands of euros)				
			% OF OWNERSHIP	TAX GROUP (*)	SHARE CAPITAL	SHAREHOLDERS' EQUITY	EBIT
TELEVISIONES LOCALES							
Collserola Audiovisual, S.L. *(En liquidación)*	Plaza Narcis Oller. Nº 6 1º. 1ª. 08006. Barcelona	Provision of local television services	92.50%	2/91	19	19	-
Málaga Altavisión, S.A.(En liquidación)	Paseo de Reding, 7. Málaga	Production and broadcasting of videos and TV programmes	87.24%	2/91	3,465	(2,142)	-
Productora Audiovisual de Badajoz, S.A.	Ramón Albarrán, 2. Badajoz	Provision of local television services	61.45%		498	(1,692)	-
Productora Extremeña de Televisión, S.A.	J. M. R. "Azorín". Edificio Zeus. Polígono La Corchera. Mérida. Badajoz	Provision of local television services	70.00%		1,202	780	-

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

(¹) Datos a noviembre de 2017

INDIRECT HOLDINGS

APPENDIX II

INVESTEE	REGISTERED OFFICE	LINE OF BUSINESS	12-31-2017 (In thousands of euros)					
			% OF OWNERSHIP	TAX GROUP (*)	SHARE CAPITAL	INTERIM DIVIDEND	SHAREHOLDERS' EQUITY	EBIT
DIGITAL								
Infotecnia 11824, S.L.	Ronda de Poniente 7. Tres Cantos. Madrid	Provision of telecommunications services	60.00%		40	-	52	6
Prisa Tecnología, S.L.	Gran Vía, 32. Madrid	Provision of internet services	100.00%	2/91	1,260	-	(1,021)	(1,111)
IMPRESIÓN						-		
						-		
Bidasoa Press, S.L.	Calle Malilla Nº 134. 46026. Valencia	Printing Publishing Products	100.00%	2/91	2,047	-	(774)	(6,182)
Distribuciones Aliadas, S.A.	Polígono Industrial La Isla. Parcela 53. 41700 Dos Hermanas. Sevilla	Printing Publishing Products	100.00%	2/91	2,100	-	9,090	(41)
Norprensa, S.A.	Parque Empresarial IN-F. Calle Costureiras. s/n 27003. Lugo	Printing Publishing Products	100.00%	2/91	270	-	84	(31)
Prisaprint, S.L.	Gran Vía, 32. Madrid	Management of printing companies	100.00%	2/91	3,000	-	(9,493)	(5,135)
PRISA BRAND SOLUTIONS								
Eresmas Interactiva Inc.	2600 Douglas Road Suite 502 Coral Gables Miami Florida USA 33134	Advertising marketing in digital media.	100.00%		13,487	(706)	353	129
Fullscreen Solutions, S.A. de C.V.	Montecito 38 Piso 6 Oficina 24 Col. Nápoles Del. Benito Juarez Ciudad de México 03100	Video advertising marketing	84.00%		0.1	-	(296)	(265)
Latam Digital Ventures, LLC (LDV)	2600 Douglas Road Suite 502 Coral Gables Miami Florida USA 33134	Holding	100.00%		-	-	-	-
Mobvious Corp.	2600 Douglas Road Suite 502 Coral Gables Miami Florida USA 33134	Advertising marketing in digital media.	60.00%		55	-	414	433
Prisa Digital Inc.	2100 Coral Way. Suite 200. Miami. Florida. 33145. EE.UU.	Provision of internet services	100.00%		6,892	-	296	31
Starm Interactiva, S.A. de C.V.	Montecito 38 Piso 6 Oficina 24 Col. Nápoles Del. Benito Juarez Ciudad de México 03100	Advertising marketing in digital media.	100.00%		77	-	177	(296)
						-		
OTROS						-		
						-		
Grupo Latino de Publicidad Colombia, SAS	Carrera 9, 9907 Oficina 1200. Bogotá. Colombia	Operation and advertising marketing	100.00%		190	-	1,009	430
Prisa División Internacional, S.L.	Gran Vía, 32. Madrid	Holding	100.00%	2/91	10,000	-	172,109	66
Prisa Inc.	2100 Coral Way Suite 200 Miami 33145 U.S.A.	Business Management in USA And North America	100.00%		1,287	-	(385)	(2)
Prisa Inn, S.A. (*Antes Solomedios, S.A.)*	C/ Valentín Beato, 48. Madrid	Advertising management	100.00%	2/91	180	-	(23)	(282)
Prisa Producciones de Vídeo, S.L.	Gran Vía, 32. Madrid	Production, distribution and audiovisual marketing	100.00%	2/91	3	-	(1,434)	(1,853)
Promotora de Actividades América 2010 - México, S.A. de C.V.	Avenida Paseo de la Reforma 300. Piso 9. Col. Juárez. 06600. México. D.F. México	Development, coordination and management of projects related to the commemoration of the Bicentennial of the Independence of the American nations	100.00%		3	-	(665)	-

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

(¹) Data as of November 2017

PROMOTORA DE INFORMACIONES, S.A. (PRISA)

Individual Directors' Report for 2017

PROMOTORA DE INFORMACIONES, S.A. (PRISA)

DIRECTOR'S REPORT FOR 2017

1. POSITION OF THE COMPANY

Organizational structure

Promotora de Informaciones, S.A. (Prisa) is the head of the Prisa Group. Its function within the Group is to provide central corporate services, to act as the Group's financing centre and to engage in other activities related to the Group's strategy, development and performance.

Prisa is the world's leading Spanish and Portuguese-language business group in the fields of education, information and entertainment. Present in 25 countries, it reaches more than 60 million users through its global brands El País, As, 40 Principales, W Radio or Santillana. As leader in General-interest Press, Comercial TV, Music and Spoken-word radio and Education, it is one of the largest media groups in the world with an extraordinary range of assets. It's presence in Brazil and Portugal and among the growing Hispanic community in the US has given the group an Ibero-American dimension and has opened up a potential global market of 700 million people.

With over 250 web sites and 133.7 million of unique browsers (Source: Adobe Omniture +Netscape, Jan-Dec´17) in all of the world, Prisa is at the forefront of multi-channel and multi-device distribution and, with the launch of an ambitious strategy for content distribution, offering myriad differentiated products and services through all types of devices.

The Group is divided into three business areas**: Santillana, Noticias and Radio**, all of which are undergoing a process of digital transformation and Media Capital.

Santillana is the leading educational company in Spain and Latin America, present in 22 countries. It has championed education and learning for more than 50 years. It has an international presence in the entire Spanish and Portuguese speaking world, both in Portugal and Brazil and the United States, and also produces teaching materials (textbooks, digital resources, support material, etc.) in all of Spain's official languages from early-years teaching to the Baccalaureate and Vocational Training.

At a time of rapid digital and pedagogical change, it sets a premium on high-quality innovative teaching materials and strives to offer schools, teachers and pupils alike a comprehensive service offering a complete package comprising technology, training and assessment materials.

Santillana specialises in creating high-quality multi-format teaching materials for all levels of education for pupils aged from 3 to 18, published in Spanish, Portuguese and English and adapted to the educational standards and approaches of each country. It also offers an advisory service to help schools meet their many and varied individual teaching needs, with comprehensive, modular solutions covering a range of topics from teacher training to innovative assessment platforms. Its main educational projects are Santillana Compartir, Sistema UNO, Saber Hacer, Aula Virtual, Loqueleo, WebBooks and Bejob.

Noticias is the Prisa business unit that encompasses all the news brands in its segment. It has a clearly global outlook. It includes leading newspapers such as El País, Cinco Días, AS and The Huffington Post in addition to trade magazines such as Icon and S Moda. These publications have an online readership of 108.4 million unique browsers from throughout the world (Source: Adobe Omniture +Netscape, Jan-Dec´17).

El País was founded in 1976. From the very beginning, El País has been committed to Spanish society, to defending and expanding democratic liberties for all. Aware of and committed to this reality, this maxim remains valid in the Company more than four decades later and now extends to all of Latin America.

El País is the leading newspaper in Spain and also the most widely read Spanish-language daily newspaper, according to ComScore. This leading position is built upon a tradition of launching new products, permanent innovation and a presence throughout Latin America. At present, 36.6% of the unique browsers of this newspaper are from the Americas and 56.8% from Spain.

Diario As is a leading daily sports newspaper with 45.1 million of unique browsers throughout the world (Source: Adobe Omniture +Netscape, Jan-Dec´17). In 2013, it started to expand internationally and actually have edition in Chile, Colombia, Mexico, Argentina, USA, Peru, South Africa, Singapore and Malaysia. It has an edition in English, AS English, and a global edition for all of America, AS America. Currently, 47.1% of the users of the newspaper are international.

Within the framework of the internationalization strategy, in August 2017 the agreement was announced for the launch of the AS Arabia digital edition, with which the Diario AS intends to bring the best information to Arab readers. It is a project that will reach 25 countries in the Middle East and North Africa, from Mauritania to Iraq. This project consolidates the international expansion of Diario AS, which celebrated its 50th anniversary in 2017, and reinforces its position as one of the leaders of the sector.

Radio is the world's largest Spanish-language radio broadcasting group with nearly 23 million listeners and 39.8 million unique browsers online (Adobe Omniture, Jan-Dec'17) and more than 1,000 radio stations, either directly owned or associates, spread out over thirteen countries. Prisa Radio is well positioned in the main Spanish-speaking radio markets and is the absolute leader in Spain, Colombia and Chile.

The company's business is structured in two main areas: Radio and Music, with a management model designed to revitalize radio formats, introduce technological innovation and ensure its content is available on all digital platforms. It combines a global presence with a local approach which allows it to optimize exchanges between the different countries and boost the value generation of the Group.

It uses the power of digital technology and its reference brands to develop a whole series of activities and events, including concerts, festivals, music prizes, debates and conferences, which add value and strengthen its connection with its audience.

In a fast-changing digital environment, new platforms, interaction and mobility are all opportunities exploited by radio to drive its social function and reach new audiences.

Lastly, **Media Capital**, a leading media group in Portugal present in the television, radio and audiovisual production businesses, at December 31, 2017 is presented as a discontinued activity in the Group's financial information. This is due to the agreement reached between Prisa and Altice NV for the sale to a subsidiary of Altice of the total Prisa stake in Vertix - which implies the indirect transfer of Prisa's stake in Media Capital - pending to the mandatory authorization of the Portuguese competition authorities.

Performance

Operating targets and strategy

In general, the **Group** has gone to great lengths in recent years to clamp down on operating costs. Efforts will remain geared towards controlling costs and capex, channeling available resources to growth areas and towards the new initiatives planned in the medium term, in addition to continuing with financial optimization and debt reduction plans.

Financial targets and strategy

As described in the consolidated financial statements of Prisa for 2017, at the end of 2017 the Group's main financial commitment is the maturity of EUR 956.5 million in December 2018, corresponding to Tranche 2 of its financial debt.

During 2016, 2017 and 2018, a series of measures have been taken to deal with this maturity and strengthen the Group's financial and equity structure, such as capital increase and asset sale operations.

In this sense, in April 2016, an issue of necessarily convertible bonds in newly issued common shares was subscribed through the exchange of the company's financial debt, amounting to 100.7 million euros. In October 2017 they have been converted into shares in advance.

In addition, and in order to strengthen the financial structure of the Group, on July 13, 2017, the Board of Directors of Prisa accepted a binding offer put forward by Altice NV for the sale of Vertix, owner of Media Capital for an approximate price in line with the company's best estimates (equity value) of around EUR 321.5 million.

Likewise, the General Shareholders' Meeting held on November 15, 2017 approved a capital increase amounting to EUR 450 million, this amount was subsequently extended in EUR 113.2 million. In February 2018, the capital increase was subscribed and paid out in the amount of EUR 563.2 million.

Furthermore, as of January 22, 2018, the company had signed a framework agreement with all the financial creditors of the *Override Agreement* to refinance and modify the terms of Prisa's current financial debt, adapting the maturity schedule of the bank debt to the cash generation profile of the Group's businesses.

During 2018, the Group will continue to reinforce its capital structure, debt reduction and focusing on cash generation.

2. BUSINESS PERFORMANCE

Analysis of the evolution and result of business

Prisa's results are directly related to the performance of the Group's various business units. Its revenue arises mainly from the dividends it receives from its subsidiaries and its expenses relate to staff costs and services received. The variations in the equity of its subsidiaries also give rise to increases and decreases in the value of its investment portfolio.

The Group uses EBITDA to monitor the performance of its businesses and establish operational and strategic objectives for Group companies.

EBITDA is defined as profit from operations plus changes in operating allowances, assets depreciation expenses, impairment of goodwill and impairment of assets.

The following tables detail the reconciliation between EBITDA and the Group's operating income for each of the segments of 2017 and 2016 (in millions of euro):

	12.31.2017				
	Education	Radio	Press	Other	Prisa Group
PROFIT FROM OPERATIONS	**110.2**	**28.4**	**(14.1)**	**(18.8)**	**105.7**
Depreciation and amortisation	53.0	8.2	7.5	1.0	69.7
Change in operating allowances	14.1	2.4	1.1	0.3	17.9
Impairment of goodwill	0.0	0.0	0.8	(0.2)	0.6
Impairment of assets	2.0	2.4	8.7	(0.0)	13.1
EBITDA	**179.3**	**41.4**	**4.0**	**(17.7)**	**207.0**

	12.31.2016				
	Education	Radio	Press	Other	Prisa Group
PROFIT FROM OPERATIONS	**98.6**	**28.2**	**7.1**	**(34.4)**	**99.5**
Depreciation and amortisation	55.4	7.8	7.4	4.4	75.0
Change in operating allowances	14.7	4.6	0.7	8.5	28.5
Impairment of goodwill	0.0	0.4	0.0	0.0	0.4
Impairment of assets	2.2	0.3	0.0	0.2	2.7
EBITDA	**170.9**	**41.3**	**15.2**	**(21.3)**	**206.1**

Business performance for 2017 was as follows:

- Operating earnings for **Education** amounted to EUR 656.2 million (+2.9% compared to 2016), including a EUR 8.3 million positive exchange rate impact. Excluding the exchange rate impact, income increased compared to 2016 (+1.6%). EBITDA reached EUR 179.3 million (+4.9%). Excluding the exchange rate effect, EBITDA increased +1.5% over 2016 (exchange rate impact of EUR 5.8 million).
    - Campaigns in the south area closed with a solid performance in the most important countries. Brazil stands out with an 18% rise in earnings in constant currency.
    - Campaigns in the north area (mainly Spain and Mexico) saw earnings fall (-9.2% in local currency), mainly due to the Spanish market in 2017 which saw no new products in contrast to 2016. Only Mexico and Ecuador

increased earnings over the previous year (+3% and +14% in local currency respectively).
  - The digital education systems (UNO and Compartir) continued to expand in Latin America, with growth in enrolment to 932,606 students.
  - Norma began consolidation in the Santillana accounts in October 2016. Its contribution to earnings in 2017 was EUR 33 million.

- Operating income in **Radio** reached EUR 280.7 million, below the previous year (-6.8%) in both Spain and Latin America (-6.3% excluding exchange rate effect), and EBITDA came in at EUR 41.4 million, practically in line with 2016 (+0.2%, with a +1.8% change without the exchange rate impact).

  - The drop in earnings compared to 2016 is due to RLM, S.A. (Music business) no longer being in the consolidation framework in 2016 and the closure of the content syndication business in the USA (GLR Networks, LLC), which in 2016 contributed EUR 7.2 million albeit with negative margins.
  - Advertising for Prisa Radio in Spain fell back slightly, with a -0.6% change. Advertising decreased in Latin America by -5.1% (-3.8% excluding the exchange rate effect).
  - Revenue dropped by -4.4% in EUR in Latin America (-2.8% in local currency). The good performance in local currency in Chile and Argentina could not offset the decline in Colombia and the USA.
  - There was a negative exchange rate impact of EUR -1.5 million in revenue and EUR -0.6 million in EBITDA.
  - According to the last EGM, Prisa Radio in Spain maintained its leadership for both generalist and music radio.

- In the **Noticias** division, operating income came in at EUR 220.6 million (-8.1%). Traditional advertising, circulation and promotions decreased. The rise in digital advertising and cost savings partially offset these impacts. EBITDA was EUR 4 million, decreasing by EUR 11.3 million compared to the same period for the previous year, in part due to higher compensation paid.

  - Revenue was impacted by the effect of the UEFA European Championship and 40th Anniversary of El País in 2016.
  - Advertising revenue was 7.9% lower for the period.
    - Digital advertising rose 4% (representing 46% of all advertising revenue in the division).
    - Traditional advertising fell -16%.
  - Circulation revenue continued to see a 13% decrease.
  - An average of 108.4 million unique visitors was recorded in 2017 (+23%).
  - El País strengthened its position as the top Spanish-language newspaper in world media rankings and AS maintained its digital leadership in America.

- **Media Capital** is presented as a discontinued operation. Its revenue reached EUR 165.5 million (-4.9%) in the year and EBITDA came in at EUR 40.7 million (-3.6%). Tight cost controls offset the decline in advertising and value added call business.

  - TVI maintained its 24-hour and prime time leadership, hitting average daily audiences of 22% and 25% respectively for total Television audiences.

- Media Capital radio maintained its number one position in listeners (Radio Comercial had a 24% 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):

	2017	Exchange rate effect	2017 excluding exchange rate effect	2016	Change excluding exchange rate effect	Change (%) excluding exchange rate effect
Education (*)						
Operating income	656.2	8.3	647.9	637.5	10.3	1.6%
EBITDA	179.3	5.8	173.5	170.9	2.6	1.5%
Radio						
Operating income	280.7	(1.5)	282.2	301.1	(18.8)	(6.3%)
EBITDA	41.4	(0.6)	42.0	41.3	0.7	1.8%
Prisa Group						
Operating income	**1,170.7**	**6.5**	**1,164.2**	**1,184.5**	**(20.3)**	**(1.7%)**
EBITDA	**207.0**	**5.2**	**201.8**	**206.1**	**(4.3)**	**(2.1%)**

(*) Excluding the exchange rate effect of Venezuela.

The Group's **net bank debt** decreased by EUR 64.6 million for the year and came in at EUR 1,421.6 million to December 2017.

This debt indicator includes non-current and current bank borrowings, excluding loan arrangement costs, diminished by current financial assets, cash and cash equivalents.

The following table shows the composition of this indicator as of December 31, 2017 and December 31, 2016:

	Million of euros	
	12.31.17	12.31.16
Non-current bank borrowings	642.2	1,653.5
Current bank borrowings	1,002.6	68.5
Loan arrangement costs	17.3	30.1
Current financial assets	(23.3)	(19.5)
Cash and cash equivalents	(217.2)	(246.4)
NET BANK DEBT	**1,421.6**	**1,486.2**

Net bank debt as of December 31, 2016 included EUR 98.5 million from Media Capital and EUR 4.3 million from Vertix. As of December 31, 2017, the net bank debt of Media Capital stood at EUR 95.5 million and is classified in the sections '*Non-current assets held for sale*' and '*Non-current liabilities linked to assets held for sale*'.

3. OUTLOOK

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

According to the IMF (data from October 2017), the growth forecasts for the economies on the Iberian Peninsula remain valid for 2018.

In turn, Prisa's activities and investments in Latin America are exposed to the performance of different macroeconomic inputs in every country, including changes in consumer demand due to a higher or lower growth rate in some countries or the performance of their economies.
According to the IMF (October 2017), growth will be ongoing in all countries where Prisa operates in 2018, at a higher rate than in 2017, except Mexico (which will see growth albeit at a lower rate due to the uncertainties around the renegotiation of the North American Free Trade Agreement and the presidential elections), Venezuela and Puerto Rico. Brazil will see a higher growth rate (1.5%) while the upswing in Colombia, Chile and Peru stands out. Argentina expects to see similar growth in 2018 compared to the previous year (+2.5%).

Group business performance will be affected by economic growth. Group earnings will also be affected by the performance of exchange rates. Group revenues in Latin America in 2017 were positively impacted by the strong exchange rate in Brazil, Chile and Peru. The performance of the exchange rate moderated in the latter six months of the year (negative for the period). There is an expected depreciation of all Latin American currencies for 2018 compared to the previous year.

Another factor which affects future developments is the advertising cycle. Nevertheless, Prisa Group's exposure to the performance of the advertising market is limited due to its diversified revenue mix (advertising revenues accounted for 29.8% of the total in 2017). Businesses that rely heavily on advertising have a high percentage of fixed costs, and consequently any increase in advertising revenues has major implications for earnings, improving the Group's margins and its cash position.

Digital advertising continues to see growth. Effectively, revenues rose by 3.2% in 2017, with press increasing its share of total advertising revenues to 46% (from 41% in 2016). According to data from i2P (October 2017), growth is predicted to continue in 2018.

The advertising market in Spain throughout 2017 remained static (falling -0.3%) according to the i2P report. The same report estimates a return to overall growth for the Spanish market of +1.1% in 2018.

Group advertising revenues in Spain declined -3.0% in 2017, impacted by the 40th anniversary of El País in 2016 and the UEFA European Championship in the same year. Excluding these two events, the decline would have been -0.7% due to less national Radio advertising and declining print advertising in Press. This was partly offset thanks to the local advertising performance for Radio and digital advertising for Press. Advertising revenues are forecast to grow in line with market growth in 2018 supported by digital expansion, events such as the World Cup and better advertising performance in the Radio division (both national and local).

In Latin America, the Price Waterhouse Coopers (PwC) Global Entertainment and Media Outlook Report 2017-2021 forecasts 3.5% growth in 2017 for the radio advertising market sector. Prisa Radio in Latin America declined -3.8% at constant exchange rates, impacted by the sale of GLR Networks at the end of 2016. Excluding this effect, the decline was -1.6%, impacted by the situation in Colombia. Prisa Radio is expected to see improvements and return to growth in 2018 (especially in Colombia), with growth forecast for the market (+3.6% according to PwC).

In Portugal (which is included in the Group accounts as a discontinued operation), performance in the advertising market in 2017 suffered a slowdown in the terrestrial television sector (-1.6% according to internal estimates), while both radio (+9.6%) and internet (+14%) continued to see growth. In this context, advertising revenue at Media Capital declined 2% compared to 2016, due to the declines in the television sector. The market is expected to rebound in television in 2018 and see continued growth on the internet, while radio is forecast to remain flat. In this sense, growth at Media Capital is expected to outstrip market forecasts.

Prisa has other, less cyclical businesses that do not depend on advertising but still show scope for growth, especially in Latin America. One example is Education, which in 2017 contributed 56.1% of total Group revenues and 86.6% of EBITDA. Revenue of the Group in Latin America expanded +3.8% in the year, partly due to a positive exchange rate effect (+2.8% at constant exchange rate). At constant exchange rates, Education expanded +1.6% thanks to 2017 being a high cycle year for institutional sales in Brazil and the good business performance in Argentina. For this reason, and due to Norma's consolidation throughout 2017 (it began consolidation in October 2016), performance of the campaigns in the south area in general was positive in 2017. The campaigns in the north, however, declined -9.2% at constant exchange rates, being affected by no new products in Spain and by the decline in business in Puerto Rico (hurricane María), the Dominican Republic (lower bids for institutional sales) and the USA (no adoptions in Texas). In turn, the digital education systems (UNO and Compartir) continued to expand in Latin America, with growth in enrolment and turnover (in local currencies). Performance in 2018 will, in terms of Systems, mainly depend on signing up students to UNO and Compartir, the changes in the exchange rates (local currencies are forecast to depreciate) and growth in most countries, except Spain (doubling-up effect, cost-free status in Madrid and purchase of books in Andalusia) and Brazil (low cycle year for institutional sales). Norma is forecast to see continued growth.

Part of Group growth for 2018 will rely on digital expansion. Digital audience numbers rose sharply (133.7 million unique browsers at the end of December 2017, up 16% from the previous year). In 2018, the Company will continue efforts to boost digital growth in all its business lines. Specifically, in Press the focus will remain on fully leveraging the leadership positions of the El País and As newspapers, not only in Spain, but also in the American market.

The Group will remain active in strengthening its balance sheet structure, reducing debt and focusing on cash generation in 2018.

4. MAIN RISKS ASSOCIATED TO THE BUSINESS

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

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

Strategic and operational risks

Macroeconomic risks-

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

In the 2017 financial year, 55% of Group operating income came from international markets. Nevertheless, Spain continues to be the Group's main geographical market (representing 45% of Group operating income).

The main consumer figures in Spain saw major declines in the past that have affected, and may continue to do so if growth comes in below forecasts, spending by Group customers on its products and services, including advertisers and other clients of Prisa content offers.

With regard to Prisa's business and investments in Latin America, we should state that it is the highest risk region among developing nations due to its links with the United States and China, especially when it comes to Brazil and Chile, where the economy is dependent on commodity exports to China and the United States, among others.

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

Decline in the advertising market-

An important part of Prisa's operating income comes from the advertising market, mainly in its press and radio businesses. As of December 31, 2017, advertising revenue represented 29.8% of Group operating income. Spending by advertisers tends to be cyclical and reflects the general economic situation and outlook.

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

Changes occurring to the tradition media business-

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

Along the same lines, the proliferation of alternative digital communication, including social networks or news aggregators, has had a notable impact on the options available to consumers, thus resulting in a fragmentation of the audience. Moreover, the proliferation of these new players means an increase in the inventory of digital advertising space available to advertisers, and which affects, and is expected to continue affecting, the Group’s 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, such as Real-time bidding, is allowing advertisers to develop more personalized advertising and is putting downward pressure on prices.

Likewise, there is a proliferation of technologies and applications that allow users to avoid digital advertising on web pages and mobile applications, and for smartphones that visit.

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 Press and Radio businesses, and the Group is fighting for advertising against traditional players and new 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. Moreover, students often head to cheaper content sources, file and document exchanges over different platforms, websites, 'pirate' copies or second-hand material.

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

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

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 consumer preferences and expectations.

In order to maintain and boost competitiveness and business, Prisa needs to adapt to technological progress meaning research and development are key elements. Digital transformation imply several risks such as developing new products and services to respond to market trends, losing of value of contents within a digital environment, importance of technology to develop digital business or resistance to technological change in businesses of the Group.

Technology risk-

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

IT systems are vulnerable to a set of problems, such as malfunctioning hardware and software, computer viruses, hacking and the physical damage sustained by IT centres. 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 sense, the Group has externalized with Indra Sistemas, S.A. ('Indra') its information technology management service and the development of innovative projects at some Group companies. If this service provision ceases, 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 programmes. Moreover, when running its activities and businesses, the Group is exposed to potential liabilities and claims in the area of employment relations.

Risks relating to the financial and equity situation

Financing risk-

The Group's financial obligations are set out in note 7.3 '*Financial liabilities*' of the financial statements of Prisa for 2017.

As of December 31, 2017, the Group's net bank debt level stood at EUR 1,421.6 million and represents a series of risks:

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

In addition, the contracts governing Prisa's debt terms stipulate requirements and commitments for compliance with specific leverage and financial ratios (covenants).The aforementioned agreements contain the provisions regarding cross default, which means that a breach of a specific provision may cause, if the breach exceeds certain amounts, the early maturity and termination of the agreement in question, but also that of the Override Agreement.

As described in the consolidated financial statements of Prisa for 2017, as of December 31, 2017, the main financial commitment has been established for December 2018 for an amount of EUR 956.5 million. This amount is recorded as a current liability on the consolidated balance sheet as of December 31, 2017.

Likewise, as of January 22, 2018, the company had signed a framework agreement with all the financial creditors of the *Override Agreement* to refinance and modify the terms of Prisa's current financial debt, adapting the maturity schedule of the bank debt to the cash generation profile of the Group's businesses.

The effectiveness of this agreement is subject to, among other conditions, debt being cancelled at the time the refinancing comes into effect running to EUR 450 million from proceeds arising from the EUR 563.2 million cash capital increase which has been fully subscribed and paid out in February 2018 and an agreement be reached with financial creditors on the new terms of the Override Agreement not expressly set out in the Lock-up Agreement (*see notes 1b and 27 of the consolidated financial statements of Prisa for 2017*).

The refinancing agreement foresees two alternate scenarios based on whether by June 30, 2018 Prisa has obtained the proceeds from the sale of Media Capital, which will be used to cancel debt.

In addition, the Lock-up Agreement provides for a limited number of cases for termination that would permit the creditors to exit the binding commitment to support the proposed modifications to the financing regulated in the Override Agreement. These are, by the time of this report: (i) the existence of deadlines for the formalization of the Refinancing Agreement (30 June 2018, although it could be extended by the majority of participants in the Lock -up Agreement) (ii) material failure by the Company to comply with its obligations under the Lock-up Agreement; (iii) a competent administrative or judicial body issuing an order or resolution that impedes execution of the agreed Refinancing; and (iv) if the Company goes into administration.

In the event that the milestones for the effectiveness of the Refinancing are not met or if for any other reason the Lock-up Agreement is terminated, the Refinancing will not take effect, and the Group would have to settle EUR 956.5 million in December 2018, which would have an impact on the liquidity and continuity of its businesses.

The administrators of the company consider that none of the termination cases will occur.

The Refinancing agreement would reduce Group expose to the risks above although the debt level would remain high.

Media Capital Sale Transaction-

The Prisa Board of Directors accepted a binding offer put forward by Altice NV on July 13, 2017 for the sale of Vertix SGPS, S.A. ('Vertix'), belonging to Grupo Media Capital, SGPS, S.A. ('Media Capital') (*see notes 1b, 10 and 17 of the consolidated financial statements of Prisa for 2017*), with the transaction dependent on the relevant authorization from the Portuguese competition authorities.

This agreement meant an accounting loss was registered at the parent company for EUR 89.3 million (a EUR 76.9 million loss in the consolidated financial statements). The final price will depend on the performance of Media Capital's business up to the date the sale is finalized.

Proceeds from Media Capital sale will be used to cancel debt, so in case the sale of Media Capital does not occur in the end, the Group's financial situation will be negatively impacted.

Equity situation of the Group's parent Company-

As of December 31, 2017, 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 (including participating loans outstanding at year-end) stood at EUR 46,279 thousand, below two thirds of total share capital, although representing over half of share capital. In this sense, the company has an imbalanced equity situation in terms of the obligation to reduce share capital in the period of one year.

The Directors of the Company have planned a series of strategic measures and activities that aim to strengthen and optimize the company's financial and shareholder equity structure, including capital increase for an amount of EUR 563.2 million, which was fully subscribed and paid out in February 2018 (*see notes 1b and 27 of the consolidated financial statements of Prisa for 2017*). The subscription and registration of this capital increase in February 2018 has reestablished the equity situation of the Parent Company.

Credit and liquidity risk-

The adverse macroeconomic situation with major declines in advertising and circulation has had a negative impact on the Group's ability to generate cash flow over recent years, mainly in Spain. Businesses which rely heavily on advertising have a high percentage of fixed costs, and any decline in advertising revenues has major implications for margins and the cash position, making it difficult to implement additional measures to improve Group operating efficiency. As of December 31, 2017, advertising revenue represented 29.8% of Group operating income.

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

In terms of the commercial credit risk, the Group assesses the age of the debt and constantly monitors the management of receivables and processing of arrears.

The Group exhaustively monitors receivables and payables associated with all its activities, as well the maturities of financial and commercial debt and repeatedly analyses other financing methods in the aim of covering planned cash requirements in the short, medium and long-term.

Non-controlling interests in cash generating units-

The Group has significant non-controlling interests in cash generating units including education and radio businesses. Likewise, Santillana is obliged to pay on an annual basis its non-controlling shareholders (25% of share capital) a preferential set fixed dividend to the Prisa dividend.

Exposure to interest rate hedges-

The Group is exposed to changes in interest rates as around 60.3% 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.

Tax risks-

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

As of December 31, 2017, the consolidated Group had active tax credits amounting to EUR 332.8 million; of these, EUR 291.6 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 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.

5. NON- FINANCIAL INFORMATION

5.1. Governance bodies

Notwithstanding the foregoing, some of the most outstanding elements of Prisa's corporate governance are outlined below.

5.1.1. Governance bodies

Operation of the governance bodies and the company' decision making process are described in detail in the Annual Corporate Governance Report. The Annual General Meeting and the Board of Directors are the highest governance bodies of the Company.

The main changes in Prisa's Board of Directors in 2017 were:

- Succession of the Chairman of the Board of Directors: Last October, the Board of Directors launched the succession of the Chairman, Mr. Juan Luis Cebrián Echarri. After considering other alternatives and candidates, the Board of Directors at its meeting held in December 2017 finally accepted the resignation of Mr. Juan Luis Cebrián Echarri as director and Chairman, and appointed Mr. Manuel Polanco Moreno, at the time manager and Deputy Chairman, as non-executive Chairman of the Board of Directors of Prisa with effect from January 1, 2018.

- Succession of the CEO: In June 2017 Mr. Manuel Mirat Santiago was appointed CEO, in substitution of Mr. José Luis Sainz Díaz, with effect from September 4, 2017. Since January 1, 2018 and after the succession of the Chairman, Mr. Manuel Mirat holds the office as chief executive officer of Prisa.

- Reorganization of the Board of Directors: During 2017, a reorganization of the composition of the Board of Directors was carried out, with 9 outgoing directors and 6 incoming new directors, including the succession of the CEO, which has also led to a reconfiguration of the composition of all Board committees. The succession of the Chairman took place with effect from January 1, 2018.

In February 2018 the Board of Directors appointed an independent director, Mr. Javier Monzón de Cáceres, as non-executive Deputy Chairman of the Board of Directors.

This reorganization is linked to the changes to the Company's Chairmanship and to capital operations executed in the last months.

In accordance with the Regulations of the Company's Board of Directors and with the provisions of the Corporate Enterprises Act, the Board has exclusive competence over certain corporate general policies and strategies and over certain decisions (including, the strategic or business plan, annual management objectives and budget, investment and financing policy, fiscal strategy, risks control and management, approving financial reporting, approving financial projections, dividend policy, stock policy, strategic alliances of the Company or its controlled companies, defining the Group's structure, corporate governance policies and corporate social responsibility policies, general policy of remuneration, appointment and removal of managers, investments and operations of any kind that, due to their high amount or special characteristics, are considered strategic or of special fiscal risk for the Company, approval of creation or acquisition of interests in special purpose vehicles or entities resident countries or territories that are treated as tax havens, agreements related to mergers, divisions or relevant decisions that might affect the Company as a listed company, approving related-transactions, annual assessment of the operation of the Board of Directors, etc.).

Without prejudice to the powers given to the CEO, the Board of Directors has a Delegated Committee that has delegated all of the powers and competences of the Board susceptible of being delegated.

CEO's management rests on the members on the Management Committee, the members of which are key senior management.

Senior management is appointed by the Board, on the proposal of the CEO, upon report of the Appointments and Remunerations Committee, and shall report directly to the CEO.

The Board of Directors of Prisa has also created three other Committees, with powers reserved to their respective areas: (i) Audit, (ii) Corporate Governance and (iii) Appointments and Remunerations. The functions and composition of these Committees are included in the Annual Corporate Governance Report.

Composition of the Board of Directors

As of December 31, 2017 the Board of Directors of Prisa was formed by fourteen directors, of which three were executive, four were nominee, six were independent and one was an external director.

As from January 1, 2018 the composition is as follows: one executive director, five nominee directors, six independent directors and one external director, all with different academic backgrounds and outstanding professional careers.

The company has a Directors' Selection Policy, the principles and objectives of which can be summarised as follows: i) diversity in the composition of the Board, ii) right balance in the Board as a whole, looking for the appointment of persons that help pursue diversity of knowledge, experience, origin and gender and iii) in 2020 the number of women directors represents, at least, 30% of total Board members.

The Board of Directors is composed of highly qualified professionals and good professional and personal repute, with capacities and competences in various fields and sectors that are of interest to the Company and coming from different countries.

In accordance with recommendation 14 of the Code of Good Governance of the CNMV (which sets that the "appointments committee shall verify annually compliance of the directors' selection policy and shall inform about it in the annual corporate governance report") the Appointments and Remuneration Committee has verified that, throughout 2017, the principles, objectives and procedures provided for in the Directors' Selection Policy have been taken into account, although due the events occurred this year regarding the rearrangement of the Board, the objective of women directors representing 30% of the total Board members had not been achieved.

The Appointments and Remunerations Committee shall carry out the appropriate work over the next months to ensure that the practices and measures to be taken up in the near future enable improvement in this area.

5.1.2. Compliance and Code of Ethics

Compliance Unit

Prisa's Compliance Unit is a collegiate body with autonomous powers of initiative and control, and is composed of the general secretary, the Internal Audit director and the Human Resources director. The tasks of this unit, which functionally reports to the Audit Committee, include watching over and promoting compliance of all rules applicable to the Group's activities, that is to say: current legislation, Code of Ethics of Prisa and internal organizational rules. Its duties also include the identification, management and mitigation of the enforcement risks of such regulation.

The Compliance Unit also assumes the functions of the Criminal Prevention Body, as provided for in the Criminal Code.

Furthermore, the main business units of the Group have their own Compliance Unit.

When developing its mandate, the Compliance Unit promotes a preventive culture based on the principle of "zero tolerance" towards the commission of unlawful acts and the application of ethical and responsible behavior principles to all professionals within the Group, regardless of their hierarchy level and of the country in which they work. For that purpose it regularly informs the Corporate Governance Committee of its activities and decisions related to the RIC (Internal Code of Conduct for Matters Relating to the Securities Markets), and of any incidents concerning the Code of Ethics, so that such Committee can monitor compliance of the Company's governance rules and, consequently, makes the proposals necessary for improvement (function assigned to it by the Regulations of the Board of Directors).

In 2017 the implementation and follow-up of the company's criminal prevention model was consolidated, mainly driven by the Compliance Unit of Prisa.

The Compliance Unit of Prisa is responsible for the final interpretation of the Code of Ethics and the RIC, and must solve doubts or queries raised on its application or content.

Code of Ethics

The Code of Ethics of Prisa comprises a catalogue of principles and rules of behavior covering the actions of the companies in the Group and all of their employees (members of the governance bodies, executives, workers, students on work experience and internships, irrespective of the legal basis of the employment or service relationship, their level in the hierarchy, their geographical or functional location, and the Group company to which they provide their services) so as to ensure ethical and responsible behavior in their work.

The Code takes up certain general ethical principles (such as human rights and public freedoms, professional development, equal opportunities, non-discrimination and respect for people, occupational health and safety, and environmental protection), as well as general rules of conduct on the following areas:

- Compliance with standards and professional conduct;
- Use of resources and media in the course of professional activity;
- Conflicts of interest and client relations with the Group;
- External activities and non-competition: this is reinforced by the Competition Policy that was approved by the Company in 2017;
- Internal control and anti-corruption: this is reinforced by the Anti-corruption Policy that was approved by the Company in 2017 and by the Gifts Policy and Guidelines on Money laundering, approved in 2016;
- Corporate image and reputation;
- Relations with stakeholders;

Professionals subject to the Code of Ethics must report any incidents or queries involving thereof to their line managers or Human Resources Division, which will be responsible for dealing with them.

The Code of Ethics, available in Spanish, English and Portuguese, has been notified and disseminated among all Group employees to which it applies.

In 2017 the Prisa Communication Division continued to carry out the internal communication plan of the Code, its basic principles and some of its relevant matters, supervised by the Compliance Unit of Prisa. Specifically, the importance of actions in social media, data protection, conflicts of interest, defence of competition and anticorruption have been highlighted in 2017.

The Code of Ethics will be published in full on the company's website, www.prisa.com, and on the Prisa Group intranet, *Toyoutome*.

Internal Code of Conduct for Matters Relating to the Securities Markets (RIC)

The Internal Code of Conduct for Matters Relating to the Securities Markets (RIC) sets down the standards of behaviour that must be followed when acting in matters related to the securities markets. It contains rules on immediate and accurate transmission of relevant corporate information to the market, in order to avoid undue use of privileged information and to solve potential conflicts of interest.

This internal code of conduct is applicable to the members of the Board of Directors and to senior executives, and to executives of the corporate headquarters and other executives and employees of the Group who have access to privileged information and it is so determined. The RIC is communicated to all persons covered by it, who must sign accordingly and agree to be bound by it.

The Compliance Unit of Prisa, supported by the Group's General Secretary, monitors compliance of the code of conduct set out in the RIC.

Whistleblower's Channel

Prisa has a drop box to receive and handle reports on irregularities and breaches of external and internal rules in issues affecting the Group, its employees or its activities. The channel is managed by the Prisa Compliance Unit, which periodically reports to Prisa's Audit Committee.

The Whistleblower's Channel is available on the corporate intranet *Toyoutome* or through a post-office box. Through these routes any employee can report on any irregularity or breach of internal and external rules in a confidential and anonymous way. There is also a confidential Whistleblower's Channel for third parties, available on the corporate website.

Group mechanisms are available to disseminate the existence and operation of the Whistleblower's Channel, mainly through Prisa's intranet and website, where employees and staff from outside the company can check the rules governing its functioning.

In 2017 the Whistleblower's Channel and the possibility of reporting irregularities and breaches through it have been recalled in all communication activities concerning the Code of Ethics and the Compliance Unit that were carried out by the Corporate Communication Division.

As to reports of breaches, in 2017 the whistleblower's channel received the following:

Total number of reports received in the year	16
Total number of reports addressed in the year	18*
Total number of unfounded reports received	9

**Two reports were received in 2017 and their analysis was completed in 2017*

Furthermore, in 2017, 6 corruption incidents were identified, which have concluded with two dismissals, one non-renewal and two voluntary resignations. The sixth incident was unfounded.

5.2. Human resources

5.2.1. Objectives and policies

Responsible human capital management in Prisa has the following objectives:

- Promote the **professional growth** and **personal development** of all employees in a work environment conducive to equality of opportunity without any discrimination. Base promotion on merit, capabilities and performance.
- Defend and apply the **principle of equality** between men and women, providing the same opportunities for pay and professional development in the workplace at all levels.
- Promote and improve women's **access to posts of responsibility**, reducing the inequalities and imbalances that can occur in a company.
- Introduce measures which promote **a work-life** balance for all workers.

To achieve these objectives, the Human Resources policies pursued by the Group are designed to promote the development of independent, committed professionals and the training of leaders amongst our staff as a means to inform, educate and entertain individuals and to act with social responsibility.

The geographical and cultural diversity of the staff in Prisa and the different jobs they hold, along with the challenges facing the industry and the need to rely on outside providers in our day-to-day activities require effective Management Policies, and company principles and values as outlined in Prisa's Code of Ethics, approved by the Group's Board of Directors in 2015.

In 2017, the Compliance Unit was consolidated as a authority to disseminate the objectives and policies throughout the Group and encourage a culture of compliance, as well as a means to prevent and to manage noncompliance.

5.2.2. Working conditions

Both the Group's recruitment and the training policies focus on the adaptation of employees to the profiles that are necessary to achieve the digital transformation in which we are immersed. This, along with commitment of professionals, is reflected again in a voluntary turnover rate of 6%, specifically 6% for men and 7% for women.

New recruits represent 13% of the total staff, of which 51% correspond to men and 49% to women.

As to the type of contract, from Prisa's total staff, 93% have a fixed contract and 7% a temporary contract.

The following chart shows the percentage of final employees per type of contract as of 31st December 2017:

	Temporary+Eventual+RCT* Contract		**Fixed+RCF** Contract**	
	Men	**Women**	**Men**	**Women**
Subtotal	58%	42%	54%	46%
TOTAL	7%		93%	

(*)RCT: Temporary trade representatives
(**)RCF: Fix trade representatives

Our broad geographic presence requires all companies of the Group to promote respect of the labour rights enacted by the International Labour Organisation, especially those related to equality, non-discrimination for reasons of sex, race, ideology, or beliefs, and of the regulations of the relevant agreements and countries in which it operates.

Except for certain executive positions, and in accordance with the laws in force in each country, 63% of the staff is covered by the agreements of their countries and in the case of Spain it's 99%. These agreements offer improvements in working conditions of employees, so that they can develop their jobs in a stimulating and competitive work environment.

Employees have trade union freedom and the Group promotes the necessary social dialogue to develop its business. Prisa sets minimum advance notice periods for structural/organisational changes in accordance with the time limits set out in the legislation in force or in the applicable collective agreements of the different countries.

5.2.3. Staff training

Staff training and continuing professional development are fundamental to Group policy and allow it to maintain optimal professional behaviour, high standards and excellent service.

Prisa's employees have access to a variety of courses from amongst the training opportunities that the company makes available to all its employees. These courses use a variety of tools for both face-to-face and online training (Prisa Campus).

The training expense reflected in the income statement amounted to EUR 736 thousand, 52% in Spain and the rest international. During the year 39,178 hours have been taught, with an average of 4 hours of training per person.

Prisa Campus is the online training portal for all the Group's employees. It is oriented to the development of our matrix of competencies for employees and to complement the process of sectoral professional reconversion that has been produced by the transformation of the traditional economy of the media into a digital economy. In 2017 the users registered in Prisa Campus grew by 468 new users, it was possible to quantify a total of 2,176 registered students and in total there were 374 students who finished some of the courses and modules offered.

5.2.4. Equality and Diversity Management

Prisa endorses, supports and promotes all policies that contribute to equality of opportunity and non-discrimination on the grounds of race, religion, gender or political affiliation. Group companies strictly comply with these principles in their day-to-day management.

It should be stated that all members of the Group are mandatorily required to have a Code of Ethics which includes, amongst their core values, pluralism and the respect for other ideas, cultures and people. Prisa undertakes to respect and protect human rights and public liberties, with its main objective being the respect for human dignity.

The intranet of the Group and its business units contains a declaration of the principles underlying the business of member companies which are used to promote equality, diversity and the inclusion of disadvantaged groups.

The inspirational principles which have been adopted by managers and workers alike are:

- A determination to respect the principle of equality of treatment in the workplace.
- A rejection of any type of discrimination on the grounds of gender, marital status, age, racial or ethnic origin, religion or belief, disability, sexual orientation, political ideas, membership of trade unions, etc.
- Particular attention to complying with equality of opportunity for men and women in access to employment, career progression, training, employment security and equality in pay.

- Commitment to create positive work environments, prevent harassment behaviors and pursue and solve cases that occur.

With regard to the distribution of men and women in the workforce, the number of final employees as of December 31, 2017 in Prisa was 8,785, of which 3,977 (45%) were women and 4,808 (55%) were men.

Likewise, of the total of 374 management positions as of December 31, 2017, 32% were occupied by women.

5.2.5. Occupational health and safety

Prisa continues to promote a culture of prevention in all of its member companies, and has made a firm commitment to include risk prevention and occupational health in the overall management system of its companies.

In 2017, the Joint Prevention Service has finished the identification of psychosocial risk factors that may pose a risk to the health of workers.

Regulatory risk assessment audits have been carried out at the relevant companies, with satisfactory results.

Quarterly meetings with all Health and Safety Committees have continued to be held.

Emergency evacuation measures have been implemented.

In short, ensure at all times the continuous improvement of working conditions.

Specifically, 86% of the Group's employees in Spain are represented in formal joint health and safety committees, although 100% are covered by the joint prevention service. Likewise, globally, 42% of the Group's employees are represented in this type of committee.

Regarding the indicators of accidents[1], during 2017 there were 78 work accidents (32 men and 46 women). The rate of absenteeism of the Prisa Group is 1.77%. Furthermore, the severity index was 0.16, incidence 8.89 and frequency 4.75.

5.2.6. Work-life balance

All business units have become aware of the benefits to be derived from balanced days which offer their employees a better opportunity to achieve the right work-life balance. In this regard, it is now common practice to have flexitime arrangements, opportunities for teleworking, flexible working and compressed hours in the summer and at Christmas and Easter.

[1] Absenteeism rate: (Total number of hours of absenteeism / Total number of hours worked) x 100; severity index: (Number of days lost / Number of hours worked) x 1,000; frequency index: (Number of accidents with sick leave / Total number of hours worked) x 1,000,000; and incidence rate: (No. accidents with sick leave / average number of workers) x 1000

In addition, in 2017, in Spain, we have kept our plan to promote a better work-life balance based on five elements and intend to carry it forward to future years:

- Special voluntary leave with a guaranteed job to return to, pay and social security contributions.
- Extension of paid annual holidays with social security contributions.
- Extension of weekly rest days (4-day weeks) with maintenance of social security contributions.
- Permission to attend training, help with expenses and contributions to social security.
- Reduction of working hours without legal guardianship.

Thanks to the various policies and actions regarding reconciliation that have been carried out in the Group, 97% of employees have rejoined after their maternity or paternity leave (100% of men and 95% of women).

5.3. Environment

Prisa is committed to the development of its business activities respecting the environment, in order to reduce costs and the impact that its operations have on the environment.

The Group's Environmental Safety Policy includes a series of basic application principles to provide safe products and services that respect the environment during its life cycle, contributing to the continuous improvement of its activities:

- Prisa will comply with all applicable legal requirements, and will, whenever possible, make every effort to anticipate them.
- The group will actively strive to reduce and prevent pollution and waste, and to conserve energy in all its operations.
- The group will require its suppliers to conduct their operations in an environmentally responsible manner.
- The group will ensure the safety of industrial operations, to avoid negative impact on the environment.

This policy is divided into three levels of action:

- Emission control
- Consumption control
- Waste Control

The aim is to provide safe products and services that respect the environment throughout their life cycle, and to conduct operations in an environmentally responsible manner.

The expenses incurred in respect of environmental compliance, which have not been material, are charged to the income statement as they arise.

The evaluation carried out indicates that, in any case, the Group does not have any responsibilities, expenses, assets, provisions and contingencies of an environmental nature that might be material in relation to our equity, financial condition and results of operations.

5.3.1. *Consumption control*

Material consumption

The most significant consumption figures of the group are those associated with printing activities and therefore, as can be seen in the following chart, the most relevant consumption for Prisa is paper.

Suppliers working with the group have to comply, as a basic premise, with all legal and environmental criteria for paper production and almost all of them can produce paper holding PEFC certification (Paneuropean Forest Certification) or FSC (Forest Stewardship Council), guaranteeing control in the paper chain.

Prisa respects responsible management from start to finish in the paper consumption cycle. In the case of Spain and Portugal, consumption management is centralised and 62% of paper consumption originates from recycled raw materials, obtained from recovery operations carried out by authorised managers, with a return rate of 9% of the raw materials.

Material	Consumption (tonne) 2017	% of consumed that is sent for recycling or recovery 2017	Renewable
Paper	75,601.55	32.04%	Yes
Ink	629.01	0.00%	No
Cardboard	247.03	100.00%	Yes
Aluminium plates	160.65	100.00%	Yes
Adhesive	33.00	0.00%	No
Plastic	10.00	100.00%	Yes

In accordance with the information sent by different suppliers, carbon intensity, expressed in kilograms of CO2 equivalent per tonne of consumed paper is 481.54 in Spain.

In a sector environment characterised by content and format digitalization, actions are being carried out to reduce our paper consumption progressively. These actions are being conducted in Argentina, Colombia, Peru, Guatemala, Honduras, El Salvador or Portugal. In Mexico paper consumption has been centralised, with a decrease in consumption.

Water consumption

In 2017 Prisa's water consumption reached 236,905.3 m3, mainly coming from the municipal network.

Power consumption

Total consumption of the organization in 2017 reached 381,001 GigaJulios (GJ), mainly associated with fuel and electricity consumption, as detailed below:

		Consumption GJ [23]	Energy Intensity (GJ/€MM)
		2017	2017
Electricity consumption		246,255	210.35
Fuels	Natural Gas	15,106	12.903
	Diesel	119,640	102.195

5.3.2. Emission control

Prisa measures and monitors emissions derived from its activities. To address these needs and to extend measurement of such emissions, the Corporate Purchase Division collects the information on employees' travels, as this is the only significant source of emissions amongst the activities developed by Prisa.

The information of 2017 emissions is reported in accordance with the Scope of emissions, which is defined by the GHG Protocol (Greenhouse Gas Protocol) standard.

	Tonne CO_2eq[2]
Scope 1 (Fuel Consumption Emissions)	10,621.39
Scope 2 (Electric Energy Consumption Emissions)	20,858.58
Scope 3 (Indirect Emissions)	37,398.58

The different business units of Prisa have carried out in 2017 different initiatives to reduce energy consumption, one of the most noteworthy of which is the replacement of light sources for more efficient technologies in the different countries in which Prisa operates, resulting in energy savings with respect to the previous year of 1,377 GJ, which converted into CO2eq emissions results in a saving of 126,187 tonnes of CO2eq.

Emissions intensity for 2017 was 58.87 tonnes of CO2 equivalent per million euros invoiced.

5.4. Sustainability

Since its inception, Prisa works with the firm commitment to promote cooperation and global solidarity to build a better world, and this vocation is fully in line with the New Sustainable Development Goals (SDGs). In 2017 we continued to work hand-in-hand and in coordination with the Food and Agriculture Organisation of the United Nations (FAO) and the United Nations Educational, Scientific and Cultural Organization (UNESCO).

As well as processing and disseminating news on important issues such as poverty, climate change, global health or education as engines for development, in December 2017 an International Human Rights Forum was held, organised by El País, FAO and the Spanish chapter of the UN's Global Compact, to commemorate the International Day of Human Rights.

2 Energy consumption is converted to GJ and to Tonnes CO_2eq using the Conversion Figure: DEFRA (Department for Environment, Food & Rural Affairs - GOV.UK)

3 Consumption information is based on suppliers' invoices.

Prisa works towards the defence of freedom of expression, conscience, human rights and sustainable development, as an integral part of the Group as a whole from its conception. It promotes it, on an ongoing basis, through its content, but also develops intense social, cultural and environmental actions through different initiatives and own projects, and it participates in relevant social platforms and organizations which promote these same values.

As proof of this, Prisa is an active member of the United Nations' Global Compact through its Spanish Chapter. It is committed to the Ten Principles that are promoted by this organisation: human rights, anti-corruption, labour rights and environmental protection. Prisa is member of its Executive Committee, by actively supporting all its initiatives and developing joint specific projects to promote the debate and disseminate 2030 SDGs. In 2017 we renew our commitment, as happens every year.

6. RESEARCH AND DEVELOPMENT ACTIVITIES

The Group is constantly adapting applications and management processes to changes occurring in its businesses and technological changes. It participates in and is a member of various international and domestic associations and forums which enable it to identify any improvements or opportunities to innovate and develop its services, processes and management systems.

During 2017, the business unit of **Noticias**, continued to drive the video, mobility and content distribution areas through the different market platforms.

El País continued to advance in mobility, as well in May 2017, in connection with the French presidential elections, a system based on augmented reality technology was put in place, which allowed to know the late-breaking information and follow results in *Facebook Messenger*.

During the first half of 2017 El País HD project was completed, which received funding by the Innovation Fund of *Digital News Initiative* (Google), with the ultimate goal of developing a video production and distribution platform that responds to the audience's needs up-to-the-minute. In July 2017, the initiative *VR-Infographics* was awarded an important part of the Innovation Fund to boost the creation of a computer graphics production platform distributed through different types of channels: printed, digital, video, 360 video and virtual reality immersive environments.

Video format is one of the main pillars of digital development for the heading of Prisa News; if, at first, efforts were concentrated in developing a production line of content to open media to new narratives, 2017 worked on the life cycle of video in a comprehensive manner. The turning point was the integration in April of a YouTube adaptation *player* specific for media as own *player*. This initiative, considered in the context of collaboration with *Digital News Initiative*, is accompanied by lower storage operational costs, momentum to multicast development and reaching new audiences, and a significant improvement of the operating conditions for advertising inventory, enabling direct sale through the YouTube channel as well and, therefore, new income-generating opportunities. Consequently, video plays in the El País channel have increased fivefold in the last quarter of 2017, by comparison to the figures of the first quarter, prior to the deployment of this new technology.

In July 2017, El País and AS pioneered ways of tacking the migration of its web architecture to the HTTPS protocol, which was designed for secure data streaming between Internet servers and customers. Besides protecting data, it protects users against external frauds and guarantees privacy.

During the last half of the year, the strategic plan of creating an increasingly robust relationship with our users, through a more personalized editorial and commercial offer, has led to the development of alerts and *push* notifications, targeted to the interests of readers, which will be definitely possible in 2018. Likewise, in October 2017, a new news recommendation system, specific for each reader was launched, thanks to the work performed by the Data area, replacing the commercial solution in place to date.

AS continues its commitment to mobility and since mid-2016 all editions are published in *responsive format*.

In November 2016, AS was selected within the Google DNI investment fund, for its project *Football Data Suite*, which is focused on bringing data journalism closer to newsrooms for content creation. The project was developed in 2017 and is now in the deployment phase, training editors and producing news. The tool, which uses *big data* to obtain football analysis in real time will offer readers bits of information and computer graphics based on statistics quickly and intuitively.

Within the scope of its international expansion efforts, the new pan-Arab portal is being developed, as was announced in August 2017. The Qatar communication group Dar Al Sharq and Diario As will jointly launch in 2018 As Arabia to offer sporting coverage to 25 countries in Middle East and North Africa.

In 2017, **Radio** continued its efforts to position its products in the digital media ecosystem, seeking to lead the development of online audio in all its markets.

Thanks to the financing of the Google DNI (Digital News Initiative) Fund, a groundbreaking project on transcription and distribution of digital audio was also launched: the Hertz Project.

And, at the same time, the efforts made to transform the core or main systems of the Company, especially within the commercial area, should be highlighted.

The main lines of progress in 2017 were:

- The **redesign of the sites** of five talk and three music radios in America in order to provide all the products with content management tools that boost audio consumption, facilitate the publication of multimedia content, adapt to mobile consumption and generate more traffic and, thus higher revenues. In Spain we have worked to adapt the responsive design articles (already launched on Cadena SER).
- **Improving the applications** of LOS40 (launched in December 2016) and Cadena SER (launched in January 2017) that improve user interaction and consumption of multimedia content. 7-radius applications have also been launched using the enterprise application development platform Replicapp.

- Launch of the **new player** for music radio (both in Spain and America), which enables consumption of live audio and programmes on demand in the same environment (OnePlayer project). In the case of LOS40 it incorporates four telematic online radios that were launched in May.
- A global podcast network in Spanish, with its own web, app and multidistribution in digital audio aggregators, **Podium Podcast** was launched. In its first year of operation it notched over ten million downloads.
- Deployment of a **new audio measurement and monetisation platform** on demand, which gives better knowledge and commercial exploitation of podcast consumption and audio on demand (completed in Spain and Argentina and on-going in the other markets).
- In order to improve audio search results and increase content consumption, **advanced functionalities for content transcription and recommendation** were launched on Cadena SER (Project Hertz), which was financed by the Google's Innovation Media Fund.
- Significant progress was made in the **update of the broadcast platform** in Spain and Colombia (HD version deployment), developing parallel capacities in broadcasting certification.
- Greater development of the **commercial management system**, with implementation in Spain and Colombia, and start of the development of the platform, which allows to support the new commercial management model. It seeks a higher efficiency in processes, improves analytical capacities and provides access to information to customers and commercial agents.

With regard to **Education**, Santillana maintained its focus on the role of technologies in its offers, but always together with education and with the methodological formulas that take part in the current change in schools. The most significant initiatives of 2017 were as follows:

- The project **Set Veintiuno**, Santillana's proposal to educate the citizens of the twenty-first century through the development of skills and competences that students need to have to gain better personal and professional fulfilment in the Society of Internet and Knowledge; it has been conducted in Spain through the Experience Nurseries http://sites.setveintiuno.com/viveros/. The five programmes of Set Veintiuno (Learn to Think, Enterprising, The Value of Things, Programming Things, Switched on Computing) worked with 5,160 students and 233 teachers of 44 schools of Spain and Latin America. The conclusions and lessons learned allowed us to orient the advertising campaigns in the different countries as marketing began for Set Veintiuno (Spain, Colombia, Argentina or Mexico).

  The purpose of the event Set Veintiuno Expedition was to introduce a new educational paradigm to educational professionals: the "Habilidades del siglo XXI" (or *21st Century Skills*). This paradigm is based on the research of international organisations such as UNESCO or the 21 International Skills Development Consortium, and is based on educational reforms in countries like the United Kingdom or the United States. Participants at the event experienced, through several educational challenges, the benefits of incorporating the development of these skills to classrooms. The expert in education, Carlos Magro, closed the experience by sharing a reflection done by Santillana and published on the free *whitepaper* "21 skills VEINTIUNO". Expeditions took place at cultural institutions that carry out a significant work in the approach to culture, innovation and education for the general public, such as the Auditorio de Casa del Lector (Madrid), Espacio Laboratorio de las Artes of Valladolid LAVA (Valladolid), Centro Cultural Espai Rambleta (Valencia), Centro La Cascada (Tenerife) or the Teatro de las Esquinas (Zaragoza).

Also in relation to Set Veintiuno, the product catalogue continues to grow, with programmes such as Learn to Be for Primary Education, Learn with Chess for the second cycle of Primary Education, Learn in Minecraft for Primary Education and STEAM or Communicate Projects for Secondary Education. All of these programmes will be completed throughout 2019.

- The third **SantillanaLab** call was developed as a platform and meeting point for experts from different educational fields in relation to innovation that will allow Santillana to obtain a vision of current trends. Throughout this call we followed the thinking outlined in previous editions, and Santillana's strategic interest, such as for example the role of educational videos, or the impact of new languages and new formats; we also continued with the debate on the impact of culture maker at schools, and included new areas of interest such as the Open Educational Resources (OER), or the role of large technology companies in classrooms and educational centres. But beyond these strategic areas, SantillanaLAB contributes to an ongoing educational debate, generating spaces for calm reflection and conversation. SantillanaLAB is open to the different dimensions within the educational community (centres, executive teams, teachers, students, families) and to experts and external organisations with diverse backgrounds, which are assuming a central role in the implementation of innovation in the area of education. On the other hand, as part of our role within research and knowledge of trends in the educational sector, we continue to keep a close eye on the information obtained from own spaces such as IneveryCREA or SantillanaLAB, but also from those information, documentation and event services that take on and analyse in depth all changes taking place at schools. It is ultimately about value creation of what we see and experience, forwarding it to the rest of the organization and facilitating understanding for the business.

7. LIQUIDITY AND CAPITAL RESOURCES

Financing

Note 7.3 *"Financial Liabilities"* of the accompanying notes to the consolidated financial statements of Prisa for 2017 provide a description of the use of financial instruments by the Group.

Contractual commitments

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

Dividends policy

Prisa does not have a set dividend policy, and so the Group's distribution of dividends is reviewed annually. In this respect, the distribution of dividends depends mainly on (i) the existence of profit that can be distributed and the Company's financial situation, (ii) its obligations regarding debt servicing and those arising from commitments acquired with its financial creditors in the Group's financing contracts —as described below under this item—, (iii) the generation of cash arising from its normal course of business, (iv) the existence or non-existence of attractive investment opportunities that could generate value for the Group's shareholders, (v) the Group's reinvestment needs, (vi) the implementation of Prisa's business plan, and (vii) other factors Prisa should consider relevant at any given time.

8. TREASURY SHARES

Prisa has performed, and may consider performing, transactions with treasury shares. These transactions will always be for legitimate purposes, including:

- Undertaking treasury share acquisitions approved by the Board of Directors or pursuant to General Shareholders' Meeting resolutions.
- Covering requirements for shares to allocate to employees and management under stock option plans.

The operations of treasury shares, don´t realize on the basis of privilege information, nor respond to an intervention purpose in the free process of price formation.

At December 31, 2017, Promotora de Informaciones, S.A. held a total of 270,725 treasury shares, representing 0.305% of its share capital.

Treasury shares are valued at market price at December 31, 2017 (2.56 euros per share). The total amount of the treasury shares amounts to EUR 694 thousand.

At December 31, 2016, the Company did not hold any shares on loan.

9. SHARE PERFORMANCE

Description of Prisa's shareholder structure.

Prisa's share capital at December 31, 2017 consisted of 88,827,363 ordinary shares. These shares are listed on the Spanish stock exchanges (Madrid, Barcelona, Bilbao and Valencia).

During 2017, 10,491,405 new shares were issued with regards to the early conversion of the bonds issued in accordance with the Annual General Meeting of 2016 requested by all the holders of said bonds

Main shareholders in the Company´s share capital in 2017 were Amber Capital, HSBC, Telefónica, Rucandio, International Media Group, Consorcio Transportista Occher S.A, Bank Santander, Caixabank and Berggruen. Free float stood at around 19%.

After the closing of 2017, in February 2018, a capital increase was subscribed in an amount of EUR 563.2 million, agreed at an amount of EUR 450 million at the General Shareholders'

Meeting on November 15, 2017 and, subsequently, expanded by the Board of Directors of Prisa on January 22, 2018, for EUR 113.2 million.

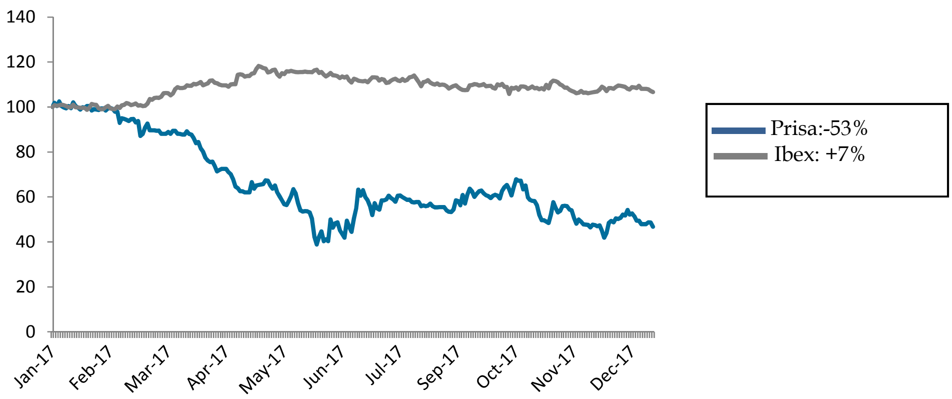
Share price performance

Prisa ordinary shares started 2017 trading at a price of EUR 2.93 per share (January 2, 2017) and ended the year at EUR 1.37 per share (December 29, 2017), implying a devaluation of 53%.

Prisa's share price performance in 2017 has been conditioned to the Company capital structure and financial situation

During 2017, the Company's Directors have taken a series of measures to strengthen the Group's financial and equity structure, which include among others, a refinancing agreement to refinance and extend maturities until 2022 (announced in 2018) and the execution of a cash capital increase amounting EUR 563 million which has been fully subscribed and reimbursed in February 2018

The following chart shows the performance of the Prisa Group's shares relative to the IBEX35 index in 2017, indexed in both cases to 100:



Source: Bloomberg (January 2, 2017- December 29, 2017)

10. AVERAGE SUPPLIER PAYMENT TIME

According to the information required by the third additional provision of Law 15/2010, of 5 July (amended by the second final provision of Law 31/2014, of 3 December) approved in accordance with the resolution of ICAC (Spanish Accounting and Audit Institute) of January 29, 2016, the average period of payment to suppliers in commercial operations for companies located in Spain rises, in 2017, to 81 days.

The maximum legal period of payment applicable in 2017 and 2016 under Law 3/2004, of 29 December, for combating late payment in commercial transactions, is by default 30 days, and 60 days maximum if particular conditions are met with suppliers.

During the coming financial year, the Directors will take the appropriate measures to reduce the average period of payment to suppliers to legally permitted levels, except in cases where specific agreements with suppliers exist which set further deferments.

11. EVENTS AFTER THE BALANCE SHEET DATE

As of January 16, 2018, the company had signed a framework agreement with most of its financial creditors, the Lock-up Agreement, which governs the basic terms and procedure to follow to refinance and modify the terms of Prisa's current financial debt. From that date and up to January 22, 2018, the remaining financial creditors signed up to the Lock-up Agreement, whereby on the date these consolidated Director´s report were drafted, all financial creditors in the Override Agreement had signed said framework agreement.

The basic terms of the Refinancing agreed with all creditors contain the following main agreements:

(i) Extension of the debt maturity date to November and December 2022.
(ii) The payment schedule does not set out obligatory amortizations during the first three years from January 16, 2018 to December 2020, with a later repayment schedule adjusted to the expected cash generation of Prisa group businesses.
(iii) The reallocation of debt currently recorded at Prisa to bring it closer to the education business taking advantage of its cash flow capacity.
(iv) The partial modification of the package of debt guarantees.
(v) The agreement sets out an initial repayment of EUR 450 million to be made out of funds from the capital increase approved by the Annual General Meeting held on November 15, 2017, to be made at the time the refinancing comes into effect.

The Lock-up Agreement sets out a limited number of termination situations that would enable creditors to dissolve their commitment to support the modifications proposed for the financing regulated in the Override Agreement, and that as of the date of these consolidated Director´s report are: (i) the existence of a deadline to reach an agreement with the financial creditors on the new terms of the Override Agreement not expressly provided for in the Lock-up Agreement (June 30, 2018, although it could be extended by the majority of participants in the Lock -up Agreement); (ii) material incompliance by the company with its obligations arising from the Lock-up Agreement; (iii) a relevant administrative or legal authority issues an order or resolution that impedes the execution of the agreed Refinancing, and (iv) the company possibly being put into administration.

The administrators of the company consider that none of the termination cases will occur.

In addition, on January 22, 2018 the Prisa Board of Directors unanimously approved a capital increase with preferential subscription rights for EUR 113.2 million.

Both the capital increase for EUR 113.2 million and the increase approved by the Annual General Meeting of Shareholders on November 15, 2017 for EUR 450 million had been fully subscribed and paid out in February 2018.