ANNEX I

GENERAL

2nd	STATISTICAL INFORMATION REPORT FOR YEAR	2018

CLOSING DATE OF PERIOD 12/31/2018

I. IDENTIFICATION DATA

Registered Company name: PROMOTORA DE INFORMACIONES, S.A.

Registered address:	**Tax ID no. (CIF)**
GRAN VÍA, 32	A28297059

Data of the person / (s) of contact for the purpose of this information (*):

Name:	**Position:**	**Telephone contact:**	**E-mail:**
Pilar Gil Miguel	D. de Relación con Inversores	913 301 119	PilarG@prisa.com

II. SUPPLEMENTARY INFORMATION TO PREVIOUSLY RELEASED PERIODIC INFORMATION

Anexar Información

Explanation of the main modifications with respect to the previously released periodic information:

(complete only in the situations indicated in section B) of the instructions)

CONSOLIDATED INFORMATION

Restate of consolidated balance sheet of 2017:

In July 2017, as a consequence of the acceptance of the binding offer presented by Altice NV for the sale of Vertix, which is the owner of Media Capital, the results of Media Capital were reclassified as a discontinued operation (under "Net income for the year from discontinued operations net of tax") and the assets and liabilities of the items "Non-current assets held for sale" and "Liabilities associated with a non-current asset held for sale".

On June 18, 2018, the contract for the sale of Media Capital signed between Prisa and Altice was terminated and the Prisa Board of Directors agreed that it will be able to evaluate various alternatives for this asset in the future. The sale of the aforementioned asset is not considered to be highly probable at December 31, 2018. Therefore, since June 30, 2018, the assets and liabilities of Vertix and Media Capital Group are no longer reported as held for sale and Media Capital operations as discontinued operations. They have been consolidated as a continuing operation.

In accordance with IFRS 5 and for the purpose of comparison, the consolidated income statement and the consolidated cash flow statement for the 2017 financial year have been modified to present Media Capital as a continued operation.

The Company did not restate the consolidated balance sheet of December 2017 in the condensed consolidated financial statements of June 2018. However, for improved comparability and understanding of the information, the Company decided to restate the consolidated balance sheet of 2017 in December 2018, no longer showing the assets and liabilities of Vertix and Media Capital as held for sale.

Likewise, information by segments has been modified to introduce the Media Capital segment both in fiscal year 2017 and in fiscal year 2018.

Modification of Other consolidated integral result:

Regarding the information sent on February 26, 2019, and after the completion of the audit of the Consolidated Financial Statements of Prisa Group for 2018, chapter IV section 7 "Other consolidated integral result" has been modified, eliminating the impact of the first application of IFRS 9 and 15 (EUR 12,802 thousand) and this impact has been reclassified in section 8 "Consolidated statement of changes in total equity" of the line "Integral Result Total for the period" to the line "Adjustment for changes in accounting policy". These modifications have no impact on the statement of consolidated financial situation or in the consolidated income statement.

INDIVIDUAL INFORMATION

Regarding the information sent on February 26, 2019, and after the completion of the audit of the Individual Financial Statements of Promotora de Informaciones, S.A. for 2018, chapter IV section 3.A. has been modified. "Individual statement of recognised income and expense" eliminating the result of the corporate spin-off of this financial statement (EUR 158,865 thousand and this result has been reclassified in section 3.B. "Individual Statement of total changes in equity" of the line "Total recognised income / (expense) the period" to the line "Adjustment for changes in accounting policy". These modifications have no impact on the individual balance sheet or the individual income statement.

(*) This information will not be public, it is required for the purposes of the review of the information by the CNMV.

III. DECLARATION/(S) BY THE PERSONS RESONSIBLE FOR THE INFORMATION

Until where achive our knowledge, the summary annual accounts that are presented, has been prepared in accordance with the applicable accounting principles, offer a faithful of the equity, the financial situation and the results of the issuer, or of the companies included in the consolidation taken as a whole, and the intermediate management report image includes a faithful analysis of the information required.

Observations on the above statement/(s):

Person/(s) assuming responsibility for this information:

Pursuant to the authority delegated by the Board of Directors, the Board secretary certifies that the half-yearly financial report has been signed by the directors

Individual/Corporate name	Office
D. JAVIER MONZÓN DE CÁCERES	CHAIRMAN
D. MANUEL MIRAT SANTIAGO	CHIEF EXECUTIVE OFFICER
AMBER CAPITAL UK LLP (represented by D. FERNANDO MARTÍNEZ ALBACETE)	DIRECTOR
D. WALEED AHMAD IBRAHIM ALSADI	DIRECTOR
D. KHALID THANI A T AL THANI	DIRECTOR
D. DOMINIQUE MARIE PHILIPPE D´HINNIN	DIRECTOR
D. FRANCISCO JAVIER DE JAIME GUIJARRO	DIRECTOR
Dª. SONIA DULÁ	DIRECTOR
D. JOSÉ FRANCISCO GIL DÍAZ	DIRECTOR
D. FRANCISCO JAVIER GÓMEZ-NAVARRO NAVARRETE	DIRECTOR
D. JOSEPH MARIE OUGHOURLIAN	DIRECTOR
D. MANUEL POLANCO MORENO	DIRECTOR

Date this half-yearly financial report is signed by the competet governing body:	03/12/2019

(*) This information will not be public, it is required for the purposes of the review of the information by the CNMV.

IV. SELECTED FINANCIAL INFORMATION
1. INDIVIDUAL BALANCE SHEET (PREPARED USING THE PREVAILING NATIONAL ACCOUNTING STANDARDS)

Units: Thousands of euros

ASSETS		PRESENT PER. 12/31/2018	PREVIOUS PER. 12/31/2017
A) NON-CURRENT ASSETS	0040	**923,762**	**1,227,553**
1. Intangible assets:	0030	230	254
a) Goodwill	0031		
b) Other intangible assets	0032	230	254
2. Property, plant and equipment	0033	847	848
3. Investment properties	0034		
4. Long-term investmenst in group companies and associates	0035	851,835	962,016
5. Long-term financial investments	0036	581	994
6. Deferred tax assets	0037	70,269	263,441
7. Other non-current assets	0038		
B) CURRENT ASSETS	0085	**71,305**	**51,512**
1. Non-current assets held for sale	0050		
2. Inventories	0055		
3. Trade and other receivables:	0060	4,234	5,580
a) Trade receivables for sales and services	0061	1,339	3,516
b) Other receivables	0062	6	3
c) Current tax assets	0063	2,889	2,061
4. Short-term investments in group companies and associates	0064	59,303	36,217
5. Short-term financial investments	0070	6,500	6,500
6. Current accrual accounts	0071	77	1,683
7. Cash and cash equivalents	0072	1,191	1,532
TOTAL ASSETS (A+B)	0100	**995,067**	**1,279,065**

Comentarios

EQUITY AND LIABILITIES		PRESENT PER. 12/31/2018	PREVIOUS PER. 12/31/2017
A) EQUITY (A.1+ A.2+ A.3)	0195	**356,162**	**(459,128)**
A.1) CAPITAL AND RESERVES	0180	**356,386**	**(459,211)**
1. Share Capital:	0171	524,902	83,498
a) Authorized capital	0161	524,902	83,498
b) Less: Uncalled capital	0162		
2. Share premium	0172	201,512	95,002
3. Reserves	0173	117,345	(96,714)
4. Less: Treasury stock	0174	(2,856)	(694)
5. Profit/loss brought forward	0178	(594,718)	(463,120)
6. Other shareholder contributions	0179		
7. Net income for the year	0175	110,201	(123,591)
8. Less: Interim dividend	0176		
9. Other equity instruments	0177	0	46,408
A.2) VALUATION ADJUSTMENTS	0188	**(224)**	**83**
1. Available for sale financial assets	0181	(224)	83
2. Hedging transactions	0182		
3. Other	0183		
A.3) GRANTS, DONATIONS AND GIFTS RECEIVED	0194		
B) NON-CURRENT LIABILITIES	0120	**613,643**	**738,170**
1. Long-term provisions	0115	2,258	19,760
2. Long-term debts	0116	423,905	623,756
a) Bank borrowings and bonds and other negotiable securities	0131	423,905	623,756
b) Other non-current financial liabilities	0132		
3. Long-term payable to group and associates companies	0117	187,480	94,626
4. Deferred tax liabilities	0118		28
5. Other non-current liabilities	0135		
6. Long- term acrual accounts	0119		
B) CURRENT LIABILITIES	0130	**25,262**	**1,000,023**
1. Non-current liabilities held for sale	0121		
2. Short-term provisions	0122	230	
2. Short-term payables	0123	532	948,850
a) Bank borrowings and bonds and other negotiable securities	0133	532	948,850
b) Other financial liabilities	0134		
4. Current payables to group and associates companies	0129	14,589	34,285
5. Trade and other payables	0124	9,911	16,888
a) Suppliers	0125	42	42
b) Other accounts payable	0126	9,869	16,846
c) Current tax liabilities	0127		
6. Other current liabilities	0136		
7. Current accrual accounts	0128		
TOTAL EQUITY AND LIABILITIES (A+B+C)	0200	**995,067**	**1,279,065**

Comments

IV. SELECTED FINANCIAL INFORMATION
2. INDIVIDUAL INCOME STATEMENT
(PREPARED USING THE PREVAILING NATIONAL ACCOUNTING STANDARDS)

Units: Thousands of euros

			PRESENT CURR. PERIOD (2nd HALF) Amount	PREVIOUS PERIOD (2nd HALF) Amount	CURRENT CUMULATIVE 12/31/2018 Amount	PREVIOUS CUMULATIVE 12/31/2017 Amount
(+)	Revenues	0205	20,681	3,496	594,057	19,778
(+/-)	Variation in inventories of finished products and products in process	0206				
(+)	Own work capitalized	0207				
(-)	Suppliers	0208				
(+)	Other operating revenues	0209	123	0	123	0
(-)	Staff costs	0217	(3,361)	(4,638)	(6,956)	(10,024)
(-)	Other operating expenses	0210	(4,996)	(7,931)	(9,514)	(17,213)
(-)	Depreciation and amortization charge	0211	(41)	(45)	(82)	(284)
(+)	Allocation of grants for non-financial assets and others	0212				
(+)	Overprovision	0213				
(+/-)	Impairment and results on fixed asset disposals	0214				
(+/-)	Other income	0215	2,313	4,634	2,313	4,634
=	**RESULT FROM OPERATIONS**	**0245**	**14,719**	**(4,484)**	**579,941**	**(3,109)**
(+)	Finance income	0250	12,042	1,486	12,049	1,502
(-)	Finance expenses	0251	(11,460)	(27,778)	(75,576)	(54,683)
(+/-)	Change in value of financial instruments	0252	(9,733)	0	0	0
(+/-)	Exchange differences (net)	0254	12	(223)	34	(246)
(+/-)	Impairment and results on disposals of financial instrument	0255	(85,440)	(80,502)	(273,554)	(81,492)
=	**NET FINANCIAL RESULT**	**0256**	**(94,579)**	**(107,017)**	**(337,047)**	**(134,919)**
=	**PROFIT (LOSS) BEFORE TAX**	**0265**	**(79,860)**	**(111,501)**	**242,894**	**(138,028)**
(+/-)	Income tax	0270	(149,790)	5,654	(132,693)	15,423
=	**PROFIT (LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS**	**0280**	**(229,650)**	**(105,847)**	**110,201**	**(122,605)**
(+/-)	Net income for the year from discontinued operations net of tax	0285	0	(1)	0	(986)
=	**PROFIT (LOSS) FOR THE YEAR**	**0300**	**(229,650)**	**(105,848)**	**110,201**	**(123,591)**

EARNINGS PER SHARE		Amount (X.XX euros)	Amount (X.XX euros)	Amount (X.XX euros)	Amount (X.XX euros)
Basic	0290	(0.41)	(1.37)	0.22	(1.55)
Diluted	0295	(0.41)	(1.37)	0.22	(1.55)

Comments

IV. SELECTED FINANCIAL INFORMATION
3. INDIVIDUAL STATEMENT OF CHANGES IN EQUITY
A. INDIVIDUAL STATEMENT OF RECOGNISED INCOME AND EXPENSE (PREPARED USING THE PREVAILING NATIONAL ACCOUNTING STANDARDS)

Units: Thousands of euros

		PRESENT PERIOD 12/31/2018	PREVIOUS PERIOD 12/31/2017
A) PROFIT (LOSS) FOR THE YEAR (from the income statement)	0305	**110,201**	**(123,591)**
B) INCOME AND EXPENSE RECOGNISED DIRECTLY IN EQUITY:	0310	**(17,452)**	**(136)**
1. From measurement of financial instruments:	0320	**(409)**	**(181)**
a) Financial assets held for sale	0321	(409)	(181)
a) Other revenues/(expenses)	0323		
2. From cash flow hedges	0330		
3. Grants, donations and gifts received	0340		
4. From actuarial gains and losses and other adjustments	0344		
5. Other income and expense recognised directly in equity	0343	**(17,145)**	
6. Tax effect	0345	**102**	**45**
C) TRANSFERS TO INCOME STATEMENT:	0350	**0**	**0**
1. From measurement of financial instruments:	0355	**0**	**0**
a) Financial assets held for sale	0356		
a) Other revenues/(expenses)	0358		
2. From cash flow hedges	0360		
3. Grants, donations and gifts received	0366		
4. Other income and expense recognised directly in equity	0365		
5. Tax effect	0370		
TOTAL RECOGNISED INCOME/(EXPENSE) (A+ B+ C)	0400	**92,749**	**(123,727)**

Comments

IV. SELECTED FINANCIAL INFORMATION
3. INDIVIDUAL STATEMENT OF CHANGES IN EQUITY (1/2)
B. INDIVIDUAL STATEMENT OF TOTAL CHANGES IN EQUITY
(PREPARED USING THE PREVAILING NATIONAL ACCOUNTING STANDARS)

Units: Thousands of euros

PRESENT PERIOD		Equity					Adjustments for changes in value	Grants, donations and gifts received	Total Equity
		Share Capital	Share premium and Reserves (1)	Treasury stock	Profit (loss) for the period	Other equity instruments			
Closing balance at 12/31/2017	3010	**83,498**	**(464,832)**	**(694)**	**(123,591)**	**46,408**	**83**	**0**	**(459,128)**
Adjustment for changes in accounting policy	3011								**0**
Adjustment for errors	3012								**0**
Adjusted opening balance	3015	**83,498**	**(464,832)**	**(694)**	**(123,591)**	**46,408**	**83**	**0**	**(459,128)**
I. Total recognised income/ (expense) the period	3020		(17,145)		110,201		(307)		**92,749**
II. Transactions with shareholders or owners	3025	**441,189**	**121,579**	**(2,162)**	**0**	**0**	**0**	**0**	**560,606**
1. Capital increases/ (reductions)	3026	441,189	122,031						**563,220**
2. Conversion of financial liabiities into equity	3027								**0**
3. Distribution of dividends	3028								**0**
4. Trading with own shares (net)	3029		(452)	(2,162)					**(2,614)**
5. Increases/ (reductions) for business combinations	3030								**0**
6. Other transactions with shareholders or owners	3032								**0**
III. Other changes in equity	3035	**215**	**84,537**	**0**	**123,591**	**(46,408)**	**0**	**0**	**161,935**
1. Share based payments	3036								**0**
2. Transfers between equity accounts	3037		(75,952)		123,591	(44,638)			**3,001**
3. Other variations	3038	215	160,489			(1,770)			**158,934**
Closing balance at 12/31/2018	3040	**524,902**	**(275,861)**	**(2,856)**	**110,201**	**0**	**(224)**	**0**	**356,162**

Comments

IV. SELECTED FINANCIAL INFORMATION
3. INDIVIDUAL STATEMENT OF CHANGES IN EQUITY (2/2)
B. INDIVIDUAL STATEMENT OF TOTAL CHANGES IN EQUITY
(PREPARED USING THE PREVAILING NATIONAL ACCOUNTING STANDARDS)

Units: Thousands of euros

PREVIOUS PERIOD		Equity					Adjustments for changes in value	Grants, donations and gifts received	Total Equity
		Share Capital	Share premium and Reserves (1)	Treasury stock	Profit (loss) for the period	Other equity instruments			
Closing balance at 12/31/2016 (comparative period)	3050	**235,008**	**(705,985)**	**(1,735)**	**(1,298)**	**130,700**	**219**	**0**	**(343,091)**
Adjustment for changes in accounting policy	3051								0
Adjustment for errors	3052								0
Adjusted opening balance (comparative period)	3055	**235,008**	**(705,985)**	**(1,735)**	**(1,298)**	**130,700**	**219**	**0**	**(343,091)**
I. Total recognised income/ (expense) the period	3060				(123,591)		(136)		(123,727)
II. Transactions with shareholders or owners	3065	**(151,510)**	**235,127**	**1,041**	**0**	**(84,292)**	**0**	**0**	**366**
1. Capital increases/ (reductions)	3066	(161,372)	161,372						0
2. Conversion of financial liabilities into equity	3067	9,862	74,430			(84,292)			0
3. Distribution of dividends	3068								0
4. Trading with own shares (net)	3069		(675)	1,041					366
5. Increases/ (reductions) for business combinations	3070								0
6. Other transactions with shareholders or owners	3072								0
III. Other changes in equity	3075	**0**	**6,026**	**0**	**1,298**	**0**	**0**	**0**	**7,324**
1. Share based payments	3076								0
2. Transfers between equity accounts	3077		(1,298)						(1,298)
3. Other variations	3078		7,324		1,298				8,622
Closing balance at 12/31/2017 (comparative period)	3080	**83,498**	**(464,832)**	**(694)**	**(123,591)**	**46,408**	**83**	**0**	**(459,128)**

Comments

IV. SELECTED FINANCIAL INFORMATION
4. INDIVIDUAL STATEMENT OF CASH FLOWS
2.(PREPARED USING THE PREVAILING NATIONAL ACCOUNTING STANDARS)

Units: Thousands of euros

			PRESENT PERIOD 12/31/2018	PREVIOUS PERIOD 12/31/2017
A)	**CASH FLOWS FROM OPERATING ACTIVITIES (1+ 2+ 3+ 4)**	**0435**	**571,504**	**(7,097)**
1.	**Profit (loss) before tax**	**0405**	**242,894**	**(138,028)**
2.	**Adjustments to profit (loss):**	**0410**	**(251,874)**	**122,924**
(+)	Depreciation and amortization charge	**0411**	82	284
(+/-)	Other adjustments to income (nets)	**0412**	(251,956)	122,640
3.	**Changes in working capital**	**0415**	**(9,696)**	**(119)**
4.	**Other cash flows from operating activities:**	**0420**	**590,180**	**8,126**
(-)	Interest paid	**0421**	(24,266)	(26,596)
(+)	Dividends received	**0422**	587,580	12,269
(+)	Interest received	**0423**	154	17
(+/-)	Income tax recovered/(paid)	**0430**	26,338	21,974
(+/-)	Other sums received/(paid) from operating activities	**0425**	374	462
B)	**CASH FLOWS FROM INVESTING ACTIVITIES (1+2)**	**0460**	**(3,673)**	**(5,571)**
1.	**Payments for investments:**	**0440**	**(3,677)**	**(8,464)**
(-)	Group companies, associates and business units	**0441**	(3,614)	(1,766)
(-)	Property, plant and equipment, intangible assets and investment properties	**0442**	(61)	(198)
(-)	Other financial assets	**0443**	(2)	(6,500)
(-)	Non-current assets and liabilities that have been classified as held for sale	**0459**		
(-)	Other assets	**0444**		
2.	**Proceeds from disposals:**	**0450**	**4**	**2,893**
(+)	Group companies, associates and business units	**0451**		1
(+)	Property, plant and equipment, intangible assets and investment properties	**0452**		
(+)	Other financial assets	**0453**	4	2,892
(-)	Non-current assets and liabilities that have been classified as held for sale	**0461**		
(+)	Other assets	**0454**		
C)	**CASH FLOWS FROM FINANCING ACTIVITIES (1+2+ 3)**	**0490**	**(568,172)**	**12,491**
1.	**Sums received /(paid) in respect of equity instruments:**	**0470**	**545,099**	**(50)**
(+)	Issues	**0471**	547,808	(50)
(-)	Amortization	**0472**		
(-)	Acquisition	**0473**	(2,709)	
(+)	Disposal	**0474**		
(+)	Grants, donations and gifts received	**0475**		
2.	**Sums received /(paid) for financial liability instruments**:	**0480**	**(1,090,168)**	**12,085**
(+)	Issues	**0481**	115,000	12,085
(-)	Repayment and redemption	**0482**	(1,205,168)	0
3.	**Payments of dividends and remuneration on other equity instruments**	**0485**	(23,103)	456
D)	**EFFECT OF CHANGES IN FOREIGN EXCHANGE RATES**	**0492**		
E)	**NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A+ B+ C+ D)**	**0495**	**(341)**	**(177)**
F)	**CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD**	**0499**	**1,532**	**1,709**
G)	**CASH AND CASH EQUIVALENTS AT END OF PERIOD (E+ F)**	**0500**	**1,191**	**1,532**

	COMPONENTS OF CASH AND CASH EQUIVALENTS AT END OF PERIOD		PRESENT PERIOD 12/31/2018	PREVIOUS PERIOD 12/31/2017
(+)	Cash and banks	**0550**	1,191	1,532
(+)	Other financial assets	**0552**		
(-)	*Less: Bank overdrafts repayable on demand*	**0553**		
	TOTAL CASH AND CASH EQUIVALENTS AT END OF PERIOD	**0600**	**1,191**	**1,532**

Comments

IV. SELECTED FINANCIAL INFORMATION
5. STATEMENT OF CONSOLIDATED FINANCIAL SITUATION (IFRS ADOPTED)

Units: Thousands of euros

ASSETS		PRESENT PER. 12/31/2018	PREVIOUS PER. 12/31/2017
A) NON-CURRENT ASSETS	**1040**	**813,269**	**1,112,159**
1. Intangible assets:	**1030**	520,092	613,580
a) Goodwill	**1031**	408,848	498,115
b) Other intangible assets	**1032**	111,244	115,465
2. Property, plant and equipment	**1033**	87,689	97,819
3. Investment properties	**1034**	26	28
4. Investments accounted for using the equity method	**1035**	43,077	37,247
5. Non-current financial assets	**1036**	24,611	25,567
b) At fair value with changes in results	**1047**	0	0
Of which 'Designated in the initial moment'	**1041**		
b) At fair value with changes in other comprehensive income	**1042**	577	986
Of which 'Designated in the initial moment'	**1043**		
c) At amortized cost	**1044**	24,034	24,581
6. Non-current derivatives	**1039**	0	0
a) Coverage	**1045**	0	0
b) Other	**1046**		
7. Deferred tax assets	**1037**	135,363	335,234
8. Other non-current assets	**1038**	2,411	2,684
B) CURRENT ASSETS	**1085**	**847,453**	**810,374**
1. Non-current assets held for sale	**1050**	6,989	0
2. Inventories	**1055**	150,345	151,335
3. Trade and other receivables:	**1060**	370,090	418,195
a) Trade receivables for sales and services	**1061**	302,996	354,847
b) Other receivables	**1062**	67,094	63,348
c) Current tax assets	**1063**		
4. Current financial assets	**1070**	24,936	23,340
b) At fair value with changes in results	**1080**	0	0
Of which 'Designated in the initial moment'	**1081**		
b) At fair value with changes in other comprehensive income	**1082**		
Of which 'Designated in the initial moment'	**1083**		
c) At amortized cost	**1084**	24,936	23,340
5. Current derivatives	**1076**	0	0
a) Coverage	**1077**	0	0
b) Other	**1078**		
6. Other current assets	**1075**	0	0
7. Cash and cash equivalents	**1072**	295,093	217,504
TOTAL ASSETS (A + B)	**1100**	**1,660,722**	**1,922,533**

Comments

EQUITY AND LIABILITIES		PRESENT PER. 12/31/2018	PREVIOUS PER. 12/31/2017
A) EQUITY (A.1+ A.2+ A.3)	**1195**	**(235,809)**	**(484,864)**
A.1) CAPITAL AND RESERVES	**1180**	**(269,242)**	**(526,207)**
1. Share Capital	**1171**	524,902	83,498
a) Authorized capital	**1161**	524,902	83,498
b) Less: Uncalled capital	**1162**		
2. Share premium	**1172**	201,512	95,002
3. Reserves	**1173**	(95,300)	(149,677)
4. Less: Treasury stock	**1174**	(2,856)	(694)
5. Profit/loss brought forward	**1178**	(628,153)	(498,180)
6. Other shareholder contributions	**1179**		
7. Profit (loss) for year attributable to parent company	**1175**	(269,347)	(102,564)
8. Less: Interim dividend	**1176**	0	
9. Other equity instruments	**1177**	0	46,408
A.2) OTHER ACCUMULATED INTEGRAL RESULT	**1188**	**(41,216)**	**(37,707)**
1. Items that are not reclassified to result the period	**1186**	0	0
a) Equity instruments with changes in other comprehensive income	**1185**		
b) Other	**1190**		
2. Items that may be subsequently classified to result for the period	**1187**	(41,216)	(37,707)
a) Hedging	**1182**		
b) Translation differences	**1184**	(40,918)	(37,716)
c) Participation in other comprehensive income for investments in joint ventures and other	**1192**		
d) Debt instruments at fair value with changes in other comprehensive income	**1191**		
e) Other	**1183**	(298)	9
EQUITY ATTRIBUTABLE TO THE CONTROLING COMPANY (A.1+ A.2)	**1189**	**(310,458)**	**(563,914)**
A.3) NON-CONTROLLING PARTICIPATIONS	**1193**	74,649	79,050
B) NON-CURRENT LIABILITIES	**1120**	**1,325,373**	**929,736**
1. Grants	**1117**	523	728
2. Non-current provisions	**1115**	28,567	44,805
3. Non-current financial liabilities:	**1116**	1,275,364	823,628
a) Bank borrowings and bonds and other negotiable securities	**1131**	1,149,661	703,481
b) Other non-current financial liabilities	**1132**	125,703	120,147
4. Deferred tax liabilities	**1118**	18,612	23,470
5. Non-current derivatives	**1140**	0	0
a) Coverage	**1141**		
b) Other	**1142**		
6. Other non-current liabilities	**1135**	2,307	37,105
C) CURRENT LIABILITIES	**1130**	**571,158**	**1,477,661**
1. Non-current liabilities held for sale	**1121**	2,923	0
2. Current provisions	**1122**	10,797	10,507
3. Current financial liabilities:	**1123**	134,764	1,059,610
a) Bank borrowings and bonds and other negotiable securities	**1133**	76,121	1,036,957
b) Other financial liabilities	**1134**	58,643	22,653
4. Trade and other payables:	**1124**	390,545	382,090
a) Suppliers	**1125**	270,982	277,165
b) Other accounts payable	**1126**	119,563	104,925
c) Current tax liabilities	**1127**		
5. Current derivatives	**1145**	0	0
a) Coverage	**1146**		
b) Other	**1147**		
6. Other current liabilities	**1136**	32,129	25,454
TOTAL EQUITY AND LIABILITIES (A + B + C)	**1200**	**1,660,722**	**1,922,533**

Comments

IV. SELECTED FINANCIAL INFORMATION
6. CONSOLIDATED INCOME STATEMENT (IFRS ADOPTED)

Units: Thousands of euros

			PRESENT CURR. PERIOD (2nd HALF)	PREVIOUS PERIOD (2nd HALF)	CURRENT CUMULATIVE 12/31/2018	PREVIOUS CUMULATIVE 12/31/2017
(+)	Revenues	**1205**	636,302	665,150	1,246,117	1,308,714
(+/-)	Variation in inventories of finished products and products in process	**1206**				
(+)	Own work capitalized	**1207**	152	829	219	2,244
(-)	Suppliers	**1208**	(95,145)	(102,669)	(181,642)	(197,804)
(+)	Other operating revenues	**1209**	9,739	13,822	14,268	20,519
(-)	Staff costs	**1217**	(186,104)	(199,643)	(383,413)	(402,514)
(-)	Other operating expenses	**1210**	(248,185)	(263,771)	(482,855)	(504,953)
(-)	Depreciation and amortization charge	**1211**	(35,780)	(43,722)	(65,475)	(77,556)
(+)	Allocation of grants for non-financial assets and others	**1212**				
(+/-)	Impairment on fixed asset	**1214**	(81,132)	(97,830)	(81,515)	(99,863)
(+/-)	Results on fixed asset disposals	**1216**	4,972	609	19,623	3,855
(+/-)	Other income	**1215**				
=	**RESULT FROM OPERATIONS**	**1245**	**4,819**	**-27,225**	**85,327**	**52,642**
(+)	Finance income	**1250**	4,717	4,124	6,306	5,623
	a) Interest income calculated according to the effective interest rate method	**1262**	0	0		
	b) Other	**1263**	4,717	4,124	6,306	5,623
(-)	Finance costs	**1251**	(38,600)	(50,562)	(108,141)	(85,100)
(+/-)	Change in value of financial instruments	**1252**	(2,732)	0	22,814	0
(+/-)	Result from the reclassification of financial assets at amortized cost to financial assets at fair value	**1258**	0	0		
(+/-)	Result derived from the reclassification of financial assets at fair value with changes in other comprehensive income to financial assets at fair value	**1259**	0	0		
(+/-)	Exchange differences (net)	**1254**	(4,843)	3,572	(6,559)	10,326
(+/-)	Loss / Reversal due to deterioration of financial instruments	**1255**	0	0		
(+/-)	Result from disposal of financial instruments	**1257**	0	0	0	0
	a) Financial instruments at amortized cost	**1260**	0	0		
	b) Rest of financial instruments	**1261**	0	0		
=	**NET FINANCIAL RESULT**	**1256**	**-41458**	**(42,866)**	**(85,580)**	**(69,151)**
(+/-)	Profit (loss) from companies recorded by the equity method	**1253**	1,391	3,100	3,830	3,656
=	**PROFIT (LOSS) BEFORE TAX**	**1265**	**-35,248**	**-66,991**	**3,577**	**(12,853)**
(+/-)	Income tax	**1270**	(217,352)	(36,491)	(240,152)	(61,559)
=	**PROFIT (LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS**	**1280**	**(252,600)**	**(103,482)**	**(236,575)**	**(74,412)**
(+/-)	Net income for the year from discontinued operations net of tax	**1285**	0	1	0	(984)
=	**CONSOLIDATED PROFIT (LOSS) FOR THE PERIOD**	**1288**	**(252,600)**	**(103,481)**	**(236,575)**	**(75,396)**
	a) Profit (loss) for year attributable to controling company	**1300**	(269,749)	(116,463)	(269,347)	(102,564)
	b) Profit (loss) for attributable to the non-controlling participations	**1289**	17,149	12,982	32,772	27,168

	EARNINGS PER SHARE		**Amount (X.XX euros)**	**Amount (X.XX euros)**	**Amount (X.XX euros)**	**Amount (X.XX euros)**
	Basic	**1290**	(0.48)	0.00	(0.54)	(1.29)
	Diluted	**1295**	(0.48)	0.00	(0.54)	(1.29)

Comments

IV. SELECTED FINANCIAL INFORMATION
7. OTHER CONSOLIDATED INTEGRAL RESULT (IFRS ADOPTED)

Units: Thousands of euros

		PRESENT CURR. PERIOD (2nd HALF)	PREVIOUS PERIOD (2nd HALF)	PRESENT PERIOD 12/31/2018	PREVIOUS PERIOD 12/31/2017
A) CONSOLIDATED NET INCOME FOR THE PERIOD (from income statement)	1305	(252,600)	(103,481)	(236,575)	(75,396)
B) OTHER INTEGRAL RESULT- ITEMS THAT ARE NOT RECLASSIFIED TO RESULT OF THE PERIOD:	1310	(13)	0	(17,145)	0
1. From revaluation/(reversal of revaluation) of tangible assets and intangible assets	1311				
2. From actuarial gains and losses	1344				
3. Participation in other comprehensive income recognized for investments in joint ventures and associates	1342	0	0		
4. Equity instruments with changes in other comprehensive income	1346				
5. Other income and expenses that are not reclassified to result of the period	1343	(13)	0	(17,145)	
6. Tax effect	1345				
C) OTHER INTEGRAL RESULT- ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO THE RESULT OF THE PERIOD:	1350	(1,790)	(16,486)	(21,266)	(46,730)
1. Hedging:	1360	0	0	0	0
a) Profit/(Loss) for valuation	1361				
b) Amounts transferred to the profit and loss account	1362				
c) Amounts transferred to initial value of hedged	1363				
d) Other reclassifications	1364				
2. Translation differences:	1365	(3,126)	(11,147)	(22,744)	(43,247)
a) Profit/(Loss) for valuation	1366	(3,126)	(11,147)	(22,744)	(43,247)
b) Amounts transferred to the profit and loss account	1367				
c) Other reclassifications	1368				
3. Participation in other comprehensive income recognized for the investments in joint ventures and associates:	1370	1,472	(5,223)	1,785	(3,347)
a) Profit/(Loss) for valuation	1371	1,472	(5,223)	1,785	(3,347)
b) Amounts transferred to the profit and loss account	1372				
c) Other reclassifications	1373				
4. Debt instruments at fair value with changes in other comprehensive income:	1381	0	0	0	0
a) Profit/(Loss) for valuation	1382				
b) Amounts transferred to the profit and loss account	1383				
c) Other reclassifications	1384				
5. Other income and expenses that may subsequently reclassified to profit or loss:	1375	(181)	(154)	(409)	(181)
a) Profit/(Loss) for valuation	1376	(181)	(154)	(409)	(181)
b) Amounts transferred to the profit and loss account	1377				
c) Other reclassifications	1378	0	0		
6. Tax effect	1380	45	38	102	45
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD (A+ B+ C)	1400	(254,403)	(119,967)	(274,986)	(122,126)
a) Attributable to the controling company	1398	(271,545)	(129,418)	(303,186)	(137,520)
b) Attributable to non-controling participations	1399	17,142	9,451	28,200	15,394

Comments

IV. SELECTED FINANCIAL INFORMATION
8. CONSOLIDATED STATEMENT OF CHANGES IN TOTAL EQUITY (IFRS ADOPTED) (1/2)

Units: Thousands of euros

PRESENT PERIOD		Net equity attributable to the controling entity							
		Equity							
		Share Capital	Share premium and Reserves (1)	Treasury stock	Profit (loss) for period attributable to the controling entity	Other equity instruments	Adjustments for changes in value	Non-controling participations	Total Equity
Closing balance at 31/12/2017	**3110**	**83,498**	**(552,855)**	**(694)**	**(102,564)**	**46,408**	**(37,707)**	**79,050**	**(484,864)**
Adjustment for changes in accounting policy	**3111**		(9,980)					(2,822)	(12,802)
Adjustment for errors	**3112**								0
Adjusted opening balance	**3115**	**83,498**	**(562,835)**	**(694)**	**(102,564)**	**46,408**	**(37,707)**	**76,228**	**(497,666)**
I. Integral Result Total for the period	**3120**		(30,330)		(269,347)		(3,509)	28,200	(274,986)
II. Transactions with shareholders or owners	**3125**	**441,189**	**121,579**	**(2,162)**	**0**	**0**	**0**	**(32,954)**	**527,652**
1. Capital increases/ (reductions)	**3126**	441,189	122,031						563,220
2. Conversion of financial liabiities into equity	**3127**								0
3. Distribution of dividends	**3128**							(30,702)	(30,702)
4. Trading with own shares (net)	**3129**		(452)	(2,162)					(2,614)
5. Increases/ (reductions) for business combinations	**3130**							(2,252)	(2,252)
6. Other transactions with shareholders or owners	**3132**								0
III. Other changes in equity	**3135**	**215**	**(50,355)**	**0**	**102,564**	**(46,408)**	**0**	**3,175**	**9,191**
1. Share based payments	**3136**								0
2. Transfers between equity accounts	**3137**		(57,926)		102,564	(44,638)			0
3. Other variations	**3138**	215	7,571			(1,770)		3,175	9,191
Closing balance at 12/31/2018	**3140**	**524,902**	**(521,941)**	**(2,856)**	**(269,347)**	**0**	**(41,216)**	**74,649**	**(235,809)**

Comments

IV. SELECTED FINANCIAL INFORMATION

8. CONSOLIDATED STATEMENT OF CHANGES IN TOTAL EQUITY (IFRS ADOPTED) (2/2)

Units: Thousands of euros

PREVIOUS PERIOD		Net equity attributable to the controling entity							
		Equity							
		Share Capital	Share premium and Reserves (1)	Treasury stock	Profit (loss) for period attributable to the controling entity	Other equity instruments	Adjustments for changes in value	Non-controling participations	Total Equity
Closing balance at 12/31/2016 (comparative period)	3150	**235,008**	**(738,975)**	**(1,735)**	**(67,859)**	**149,100**	**(664)**	**89,080**	**(336,045)**
Adjustment for changes in accounting policy	3151								0
Adjustment for errors	3152								0
Adjusted opening balance (comparative period)	3155	**235,008**	**(738,975)**	**(1,735)**	**(67,859)**	**149,100**	**(664)**	**89,080**	**(336,045)**
I. Integral Result Total for the period	3160		2,087		(102,564)		(37,043)	15,394	(122,126)
II. Transactions with shareholders or owners	3165	**(151,510)**	**253,527**	**1,041**	**0**	**(102,692)**	**0**	**(27,011)**	**(26,645)**
1. Capital increases/ (reductions)	3166	(161,372)	161,372						0
2. Conversion of financial liabiities into equity	3167	9,862	92,830			(102,692)			0
3. Distribution of dividends	3168							(27,011)	(27,011)
4. Trading with own shares (net)	3169		(675)	1,041					366
5. Increases/ (reductions) for business combinations	3170								0
6. Other transactions with shareholders or owners	3172								0
III. Other changes in equity	3175	0	(69,494)	0	67,859	0	0	1,587	(48)
1. Share based payments	3176								0
2. Transfers between equity accounts	3177		(67,859)		67,859				0
3. Other variations	3178		(1,635)					1,587	(48)
Closing balance at 12/31/2017 (comparative period)	3180	**83,498**	**(552,855)**	**(694)**	**(102,564)**	**46,408**	**(37,707)**	**79,050**	**(484,864)**

Comments

IV. SELECTED FINANCIAL INFORMATION
9.A. CONSOLIDATED CASH FLOW STATEMENT (INDIRECT METHOD) (IFRS ADOPTED)

Units: Thousands of euros

			PRESENT PERIOD 12/31/2018	PREVIOUS PERIOD 12/31/2017
A)	**CASH FLOWS FROM OPERATING ACTIVITIES (1+ 2+ 3+ 4)**	**1435**	**192,737**	**132,296**
1.	**Profit (loss) before tax**	**1405**	**3,577**	**(12,853)**
2.	**Adjustments to profit (loss):**	**1410**	**213,523**	**237,224**
(+)	Depreciation and amortization charge	**1411**	65,475	77,556
(+/-)	Other adjustments to income (nets)	**1412**	148,048	159,668
3.	**Changes in working capital**	**1415**	**6,717**	**(55,241)**
4.	**Other cash flows from operating activities:**	**1420**	**(31,080)**	**(36,834)**
(-)	Interest paid	**1421**		
(-)	Payments of dividends and remuneration on other equity instruments	**1430**		
(+)	Dividends received	**1422**		
(+)	Interest received	**1423**		
(+/-)	Income tax recovered/(paid)	**1424**	(29,077)	(37,197)
(+/-)	Other sums received/(paid) from operating activities	**1425**	(2,003)	363
B)	**CASH FLOWS FROM INVESTING ACTIVITIES (1+ 2+ 3)**	**1460**	**(45,981)**	**(77,989)**
1.	**Payments for investments:**	**1440**	**(74,782)**	**(88,685)**
(-)	Group companies, associates and business units	**1441**	(4,000)	(4,887)
(-)	Property, plant and equipment, intangible assets and investment properties	**1442**	(68,584)	(67,429)
(-)	Other financial assets	**1443**	(2,198)	(16,369)
(-)	Non-current assets and liabilities that have been classified as held for sale	**1459**		
(-)	Other assets	**1444**		
2.	**Proceeds from disposals:**	**1450**	**28,481**	**8,579**
(+)	Group companies, associates and business units	**1451**	3,000	1,128
(+)	Property, plant and equipment, intangible assets and investment properties	**1452**	22,920	3,266
(+)	Other financial assets	**1453**	2,561	4,185
(+)	Non-current assets and liabilities that have been classified as held for sale	**1461**		
(+)	Other assets	**1454**		
3.	**Other cash flows from investing activities:**	**1455**	**320**	**2,117**
(+)	Dividends received	**1456**	211	2,150
(+)	Interest received	**1457**		
(+/-)	Other sums received/(paid) from investing activities	**1458**	109	(33)
C)	**CASH FLOWS FROM FINANCING ACTIVITIES (1+2+ 3+ 4)**	**1490**	**(66,978)**	**(76,147)**
1.	**Sums received /(paid) in respect of equity instruments:**	**1470**	**545,216**	**(50)**
(+)	Issues	**1471**	547,925	(50)
(-)	Amortization	**1472**		
(-)	Acquisition	**1473**	(2,709)	
(+)	Disposal	**1474**		
2.	**Sums received /(paid) for financial liability instruments:**	**1480**	**(514,388)**	**(4,451)**
(+)	Issues	**1481**	708,233	20,889
(-)	Repayment and redemption	**1482**	(1,222,621)	(25,340)
3.	**Payments of dividends and remuneration on other equity instruments**	**1485**	**(25,715)**	**(27,125)**
4.	**Other cash flow from financing activities**	**1486**	**(72,091)**	**(44,521)**
(-)	Interest paid	**1487**	(44,238)	(37,881)
(+/-)	Other sums received/(paid) from financing activities	**1488**	(27,853)	(6,640)
D)	**EFFECT OF CHANGES IN FOREIGN EXCHANGE RATES**	**1492**	**(2,189)**	**(7,079)**
E)	**NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A+ B+ C+ D)**	**1495**	**77,589**	**(28,919)**
F)	**CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD**	**1499**	**217,504**	**246,423**
G)	**CASH AND CASH EQUIVALENTS AT END OF PERIOD (E+ F)**	**1500**	**295,093**	**217,504**

	COMPONENTS OF CASH AND CASH EQUIVALENTS AT END OF PERIOD		PRESENT PERIOD 12/31/2018	PREVIOUS PERIOD 12/31/2017
(+)	Cash and banks	**1550**	250,360	191,394
(+)	Other financial assets	**1552**	44,733	26,110
(-)	*Less: Bank overdrafts repayable on demand*	**1553**		
	TOTAL CASH AND CASH EQUIVALENTS AT END OF PERIOD	**1600**	**295,093**	**217,504**

Comments

IV. SELECTED FINANCIAL INFORMATION

10. DIVIDENDS PAID

		PRESENT PERIOD			PREVIOUS PERIOD		
		€ / share (X.XX)	Amount (€ 000s)	No. of shares to be delivered	€ / share (X.XX)	Amount (€ 000s)	No. of shares to be delivered
Ordinary shares	2158						
Rest of shares (non-voting, redeemable,etc.)	2159						
Total dividends paid	2160						

a) Interim dividends	2155						
b) Dividends with a charge to reserves or share premium	2156						
c) Non-cash dividends	2157						
d) Flexible payment	2154						

Comments

IV. SELECTED FINANCIAL INFORMATION
11. SEGMENT REPORTING

Units: Thousands of euros

GEOGRAPHICAL AREA		Distribution of net turnover by geographical area			
		INDIVIDUAL		CONSOLIDATED	
		PRESENT PERIOD	PREVIOUS PERIOD	PRESENT PERIOD	PREVIOUS PERIOD
National market	2210	594,057	19,778	499,189	511,215
International market:	2215			746,928	797,499
a) European Union	2216			184,385	167,045
a.1) Euro zone	2217			184,385	167,045
a.1) Non-Euro area	2218				
b) Other	2219			562,543	630,454
TOTAL	2220	**594,057**	**19,778**	**1,246,117**	**1,308,714**

Comments

SEGMENTS		CONSOLIDATED			
		Revenue from ordinary activities		Profit (loss)	
		PRESENT PERIOD	PREVIOUS PERIOD	PRESENT PERIOD	PREVIOUS PERIOD
EDUCATION	2221	600,542	656,203	37,971	54,532
RADIO	2222	287,580	280,666	27,483	11,809
PRESS	2223	203,160	220,578	(54,179)	(29,436)
MEDIA CAPITAL	2224	181,809	165,463	21,574	19,787
OTHERS	2225	71,027	88,864	(353,786)	(138,325)
Adjustments and eliminations	2226	(63,830)	(76,034)	51,590	(20,931)
	2227				
	2228				
	2229				
	2230				
TOTAL of the segments to be reported	2235	**1,280,288**	**1,335,740**	**(269,347)**	**(102,564)**

Comments

IV. SELECTED FINANCIAL INFORMATION
12. AVERAGE WORKFORCE

		INDIVIDUAL		CONSOLIDATED	
		PRESENT PERIOD	PREVIOUS PERIOD	PRESENT PERIOD	PREVIOUS PERIOD
AVERAGE WORKFORCE	**2295**	**37**	**39**	**8,538**	**8,698**
Men	**2296**	12	13	4,675	4,776
Women	**2297**	25	26	3,863	3,922

Comments

IV. SELECTED FINANCIAL INFORMATION
13. REMUNERATION ACCRUED BY DIRECTORS AND DIRECTORS

DIRECTORS:

Remuneration component:		Amount (€ 000s) PRESENT PERIOD	Amount (€ 000s) PREVIOUS PERIOD
Remuneration for belonging to the Board and / or Board Committees	**2310**	1,427	2,143
Salaries	**2311**	653	2,247
Variable cash remuneration	**2312**	326	1,993
Share-based compensation systems	**2313**	508	
Compensation	**2314**	230	2,967
Long-term savings systems	**2315**		
Other concepts	**2316**	9	154
TOTAL	**2320**	**3,153**	**9,504**

EXECUTIVES:

		Amount (€ 000s) PRESENT PERIOD	Amount (€ 000s) PREVIOUS PERIOD
Total remuneration received by executives	**2325**	6,790	5,065

Comments

IV. SELECTED FINANCIAL INFORMATION

14. RELATED PARTIES TRANSACTIONS AND BALANCES (1/2)

Units: Thousands of euros

EXPENSES AND REVENUES:		PRESENT PERIOD Significant shareholders	Directors and executives	Group persons, companies or entities	Other related parties	Total
1) Finance expenses	2340	18,985		981		19,966
2) Leases	2343	2,239		480		2,719
3) Services received	2344	8,381		309		8,690
4) Purchase of stocks	2345					0
5) Other expenses	2348	88	9,943	387		10,418
TOTAL EXPENSES (1+ 2+ 3+ 4+ 5)	**2350**	**29,693**	**9,943**	**2,157**		**41,793**
6) Finance income	2351			1,015		1,015
7) Dividends received	2354			20		20
8) Services provided	2356	4,202		2,155		6,357
9) Sale of stocks	2357					0
10) Other revenues	2359	313		64		377
TOTAL REVENUES (6+ 7+ 8+ 9+ 10)	**2360**	**4,515**	**0**	**3,254**	**0**	**7,769**

OTHER TRANSACTIONS:		PRESENT PERIOD Significant shareholders	Directors and executives	Group persons, companies or entities	Other related parties	Total
Financing agreements: credit facilities and contributions of capital (lender)	2372					0
Financing agreements:loans and contributions of capital (borrower)	2375	378,897				378,897
Guarantees and deposits established	2381					0
Guarantees and deposits received	2382					0
Commitments acquired	2383					0
Dividends and other porfits distributed	2386					0
Other operations	2385	8,810				8,810

BALANCES AT CLOSURE OF THE PERIOD:		PRESENT PERIOD Significant shareholders	Directors and executives	Group persons, companies or entities	Other related parties	Total
1) Customers and Trade Debtors	2341	842		3,902		4,744
1) Loans and credits granted	2342			11,012		11,012
1) Other collection rights	2346					0
TOTAL DEBT BALANCES (1+ 2+ 3)	**2347**	**842**	**0**	**14,914**	**0**	**15,756**
1) Suppliers and commercial creditors	2352	3,131		2,151		5,282
1) Loans and credits received	2353	405,040		2		405,042
1) Other payment obligations	2355					0
TOTAL CREDITORS BALANCES (4+ 5+ 6)	**2358**	**408,171**	**0**	**2,153**	**0**	**410,324**

Comments

IV. SELECTED FINANCIAL INFORMATION
14. RELATED PARTIES TRANSACTIONS AND BALANCES (2/2)

Units: Thousands of euros

		PREVIOUS PERIOD				
EXPENSES AND REVENUES:		Significant shareholders	Directors and executives	Group persons, companies or entities	Other related parties	Total
1) Finance expenses	6340	17,498		4,487		21,985
2) Leases	6343	2,189		628		2,817
3) Services received	6344	8,667	190	458		9,315
4) Purchase of stocks	6345	25				25
5) Other expenses	6348	1,550	14,569	220		16,339
TOTAL EXPENSES (1+ 2+ 3+ 4+ 5)	6350	**29,929**	**14,759**	**5,793**		**50,481**
6) Finance income	6351	1		646		647
7) Dividends received	6354			2,024		2,024
8) Services provided	6356	5,861		2,739		8,600
9) Sale of stocks	6357					0
10) Other revenues	6359	223		126		349
TOTAL REVENUES (6+ 7+ 8+ 9+ 10)	6360	**6,085**	**0**	**5,535**	**0**	**11,620**

		PREVIOUS PERIOD				
OTHER TRANSACTIONS:		Significant shareholders	Directors and executives	Group persons, companies or entities	Other related parties	Total
Financing agreements: credit facilities and contributions of capital (lender)	6372			130		130
Financing agreements:loans and contributions of capital (borrower)	6375					0
Guarantees and deposits established	6381					0
Guarantees and deposits received	6382	250				250
Commitments acquired	6383					0
Dividends and other porfits distributed	6386					0
Other operations	6385	2,222				2,222

		PREVIOUS PERIOD				
BALANCES AT CLOSURE OF THE PERIOD:		Significant shareholders	Directors and executives	Group persons, companies or entities	Other related parties	Total
1) Customers and Trade Debtors	6341	2,220		3,498		5,718
1) Loans and credits granted	6342			10,401		10,401
1) Other collection rights	6346					0
TOTAL DEBT BALANCES (1+ 2+ 3)	6347	**2,220**	**0**	**13,899**	**0**	**16,119**
1) Suppliers and commercial creditors	6352	4,306		1,380		5,686
1) Loans and credits received	6353	636,675		5		636,680
1) Other payment obligations	6355					0
TOTAL CREDITORS BALANCES (4+ 5+ 6)	6358	**640,981**	**0**	**1,385**	**0**	**642,366**

Comments

VI. SPECIAL AUDITOR'S REPORT

Anexar
Informe especial del auditor

The information contained in this report has not been audited.

Prisa Group

Explanatory notes to the financial statements for the 2018 financial year

1. PRESENTATION BASES FOR THE FINANCIAL STATEMENT FOR THE 2018 FINANCIAL YEAR

Consolidated financial statements

The financial statements of Prisa Group for the 2018 financial year have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, in compliance with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council, taking into account all mandatory accounting policies and rules and measurement bases with a material effect, as well as with the Commercial Code, the obligatory legislation approved by the Institute of Accounting and Auditors of Accounts, and other applicable Spanish legislation.

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

As required by IAS 8, uniform accounting policies and measurement bases were applied by the Group for all transactions, events and items in 2018 and 2017.

With regard to the optional early implementation of other International Financial Reporting Standards that have been issued but are not yet effective, the Group has elected not to exercise this option.

There are no accounting principles or valuation criteria that have a significant effect on the consolidated financial statements that the Group has failed to apply.

Individual financial statements

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

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

During 2016, 2017 and 2018, the Administrators of Prisa took a number of measures to strengthen the Group's financial and asset structure, such as asset sale operations, capital increases and refinancing of its debt.

In this respect, on April 1, 2016, the Prisa Annual General 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 thousand being cancelled. In October 2017, these bonds were converted into shares early.

Likewise, the Company's General Shareholders' Meeting on November 15, 2017 agreed to an increase in share capital amounting to EUR 450,000 thousand. On January 22, 2018, this amount was subsequently extended by an additional EUR 113,220 thousand by the Prisa Board of Directors. In February 2018, the capital increase was subscribed by an amount of EUR 563,220 thousand (*see note 7a*).

On July 13, 2017, the Prisa Board of Directors accepted a binding offer put forward by Altice NV ("Altice") for the sale of Vertix SGPS, S. A. ("Vertix"), a company owned by Grupo Media Capital, SGPS, S.A. ("Media Capital"). The transaction was authorised in September 2017 by Prisa's financial creditors and in November of that year by the Annual General Meeting. The operation was subject to the mandatory authorisation of the Portuguese competition authorities. In the consolidated financial statements for 2017, Vertix y Media Capital were considered as assets classified as held for sale and Media Capital operations were classified as discontinued operations. On June 18, 2018, the contract for the sale of Media Capital signed between Prisa and Altice was terminated as a consequence of the failure to comply with the deadline agreed by both parties for the last of the conditions precedent pending compliance, concerning Altice obtaining the mandatory authorisation of the operation by the Portuguese Competition Authority. Following this decision, the Prisa Board of Directors agreed that it will be able to evaluate various alternatives for this asset in the future. The sale of the aforementioned asset is not considered to be highly probable at December 31, 2018. Therefore, from June 30, 2018, the assets and liabilities of Vertix and Media Capital Group are no longer reported as held for sale and Media Capital operations as discontinued operations. They have been consolidated as a continuing operation (*see note 1d*).

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

As of December 31, 2018, the equity of the parent Company with respect to the cause of dissolution and/or reduction of capital stipulated in Spain’s Corporate Enterprises Act stood at EUR 418,653 thousand, greater in EUR 68,718 thousand to the two thirds of the capital stock which is why it was in a situation of equity balance at that date. Likewise, on December 31, 2018, the Prisa Group's current assets exceeded current liabilities by EUR 276,295 thousand.

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

b) Entry into force of new accounting standards

IFRS 15 Revenue from Contracts with Customers

IFRS 15 *Revenue from contracts with customers* is the standard applicable when reporting revenue with customers, which has replaced the following standards and interpretations valid until December 31, 2017: IAS 18 *Revenue from Ordinary Activities*, IAS 11 *Construction Contracts*, IFRIC 13 *Customer Loyalty Programmes*, IFRIC 15 *Agreements for the Construction of Real Estate*, IFRIC 18 *Transfers of Assets from Customers* and SIC31 *Revenue-Barter Transactions Involving Advertising Services*.

IFRS 15 requires identifying the contract or contracts, as well as the different obligations included in contracts for the provision of goods and services, determining the price of the transaction and distributing it among the aforementioned contractual obligations on the basis of their respective independent selling prices or an estimate thereof and recognize income as the entity complies with each of its obligations.

The standard becoming effective mainly affects reporting the reporting of revenue from Santillana's digital teaching in the UNO Education and Compartir areas. The Group's management has mainly considered the following contractual obligations for these businesses, reporting revenue from goods produced or services provided when the control thereof is passed to the customer, in accordance with the following criteria:

- Printed teaching material and digital content: revenue is reported when ownership is transferred to the school or student.
- School's equipment and other services: revenue thereof is reported throughout the school year.

The price and value of revenue from these goods and services was determined by the Group through a margin and independent sale price analysis of thereof. This has entailed the allocation of higher sales prices of equipment and other services rendered, at the cost of printed teaching material and digital content, compared to reporting until 2017.

The Group has decided to apply IFRS 15 using the simplified retroactive method, recognising the cumulative effect of the initial application of this rule on 1 January 2018 for all contracts valid on this date, which implies that the comparative information of 2017 has not been restated and is reported under the current standards in this period (IAS 11, IAS 18 and their interpretations).

The impact of the IFRS 15 coming into force has entailed a decrease of EUR 4.4 million in the heading *“Equity- Accumulated profit from prior years”* as at January 1, 2018, due to reporting of minor revenue from Santillana's digital teaching systems in the UNO and Compartir areas, mentioned above.

<u>IFRS 9 Financial Instruments</u>

IFRS 9 Financial Instruments has replaced IAS 39 Financial Instruments: recognition and assessment valid until 31 December 2017.

IFRS 9 was initially applied on 1 January 2018 and the Group decided not to restate the comparative information of 2017, which is reported under the standards in force during this period (IAS 39).

The new focus of asset classification is based on the contractual characteristics of the asset cash flows and the entity's business model. According to these, all assets are classified into three categories: (i) amortised cost, (ii) fair value with changes in other comprehensive income (equity) and (iii) fair value with changes in profits and losses. The entry into force of IFRS 9 has not brought any significant changes to the classification and assessment of the financial assets, in accordance with the following:

a) The financial assets classified as loans, receivables and investments maintained until their expiration on 31 December 2017 maintain their subsequent assessment criteria in 2018, therefore they are classified as *"Financial investments at amortized cost"*, insofar as their flows continue to represent the principal payment plus interest.

b) The financial assets classified as available for sale on 31 December 2017, and which mainly correspond to capital financial investments, maintain their assessment criteria and are classified in 2018 as *"Financial investments at amortized cost",* with exception of capital financial investments of listed company that are classified as *"Financial investments at fair value with changes in other comprehensive income (equity)".*

The Group has not designated any financial liability at fair value with changes on the income statement; there were no changes in the classification and measurement of the Groups' financial liabilities.

Adopting IFRS 9 mainly changes the accounting of credit losses of financial assets, moving from focusing on loss incurred under IAS 39 to focusing on expected loss. In this regard, the entry into force of IFRS 9 mainly affects the calculation of the insolvency provision of trade receivables, finance leases and other receivables resulting from transactions within the scope of IFRS 15. In this respect, the Group has applied a simplified approach to recognise expected credit loss throughout the lifetime of such receivables. This entails setting up a provision for credit losses on revenue recognition, for which an NPL ratio has been determined per business and type of customer, applied to the amount of sale by customer type. The application of IFRS 9 caused a decrease in the item "*Net equity - Accumulated profit from previous financial years*"on 1 January 2018 of EUR 5.8 million. Also has been decrease the heading *"Trade and other receivables – Trade receivables for sales and services"* from 55.5 to EUR 62.2 million.

The application of the rest of the amendments and interpretations applicable from 1 January 2018 did not have a significant impact on the Group's explanatory notes for this year.

IFRS 16 Leases

With respect to the application of IFRS 16 *"Leases"* the Group will apply this standard from 1 January 2019 without restating comparative information. In the 2018 financial year, the Group carried out an assessment on the impact of this standard coming into force, based on the information currently available, which may be subject to changes due to additional information available in 2019, once the aforementioned standards have become effective.

IFRS 16 will replace IAS 17 and the current associated interpretations. The main change is that all leases (with some limited exceptions) will be recorded on the balance sheet with a similar impact to current financial leases (the asset will be amortised due to the right of use and a financial expense due to the amortised cost of the liability).

Management has assessed the effect of applying IFRS 16 to the Group's consolidated financial statements. Based on a review of the rent contracts up to 1 January 2019, a financial liability was recorded on this first application date in the amount of approximately EUR 232 million (with an offsetting entry for a material and intangible asset due to the right of use), generating an additional annual amortisation of approximately EUR 28 million, a financial expense of approximately EUR 13 million in 2019 and a decrease of the operational cost per rental recorded based on IAS 17, of approximately EUR 35 million.

c) Changes to estimates

In 2018, there were no significant changes in the accounting estimates made at the end of 2017, except those referring to determining goodwill, as described in Note 2.

d) Information comparison

In July, as a consequence of the acceptance of the binding offer presented by Altice NV for the sale of Vertix, which is the owner of Media Capital, the results of Media Capital were reclassified as a discontinued operation (under *"Net income for the year from discontinued operations net of tax"*) and the assets and liabilities of the items *"Non-current assets held for sale" and "Liabilities associated with a non-current asset held for sale",* respectively.

On June 18, 2018, the contract for the sale of Media Capital signed between Prisa and Altice was terminated *(see note 1b)* and the Prisa Board of Directors agreed that it will be able to evaluate various alternatives for this asset in the future. The sale of the aforementioned asset is not considered to be highly probable at December 31, 2018. Therefore, since June 30, 2018, the assets and liabilities of Vertix and Media Capital Group are no longer reported as held for sale and Media Capital operations as discontinued operations. They have been consolidated as a continuing operation.

In accordance with IFRS 5 and for the purpose of comparison, the consolidated income statement and the consolidated cash flow statement for the 2017 financial year have been modified to present Media Capital as a continued operation.

The Company did not restate the consolidated balance sheet of December 2017 in the condensed consolidated financial statements of June 2018. However, for improved comparability and understanding of the information, the Company decided to restate the consolidated balance sheet of 2017 in December 2018, no longer showing the assets and liabilities of Vertix and Media Capital as held for sale.

On 30 June 2018, the non-current asset of Media Capital was assessed at its recoverable value, determined as the higher of either the value in use, or the net selling price, obtained from the assets associated with the cash-generating unit, without this having a significant impact on the restated consolidated income statement of 2017.

Likewise, information by segments has been modified to introduce the Media Capital segment both in fiscal year 2017 and in fiscal year 2018.

Consolidated balance sheet-

The reconciliation of the consolidated balance sheet published in the consolidated financial statements of 2017 with the consolidated balance sheet, modified for comparative purposes, in the current consolidated financial statements is shown below:

	Year 2017	Media Capital effect	Year 2017 restated
Non-current assets-	**756,693**	**355,466**	**1,112,159**
Property, plant and equipment	82,653	15,166	97,819
Goodwill	167,556	330,559	498,115
Intangible assets	110,802	4,663	115,465
Non-current financial assets	25,561	6	25,567
Investments accounted for using equity method	37,247	0	37,247
Deferred tax assets	332,846	2,388	335,234
Other non-current assets	28	2,684	2,712
Current assets-	**1,166,386**	**(356,012)**	**810,374**
Inventories	70,145	81,190	151,335
Trade and other receivables	381,520	36,675	418,195
Current financial assets	23,340	0	23,340
Cash and cash equivalents	217,209	295	217,504
Assets classified as held for sale	474,172	(474,172)	0
Total assets	**1,923,079**	**(546)**	**1,922,533**
Equity-	**(485,911)**	**1,047**	**(484,864)**
Share capital	83,498	0	83,498
Other reserves	(489,781)	0	(489,781)
Accumulated profit	(119,572)	351	(119,221)
- From prior years	(16,657)	0	(16,657)
- For the year: Profit attributable to the Parent	(102,915)	351	(102,564)
Treasury share	(694)	0	(694)
Exchange diferences	(37,894)	178	(37,716)
Non-controlling interests	78,532	518	79,050
Non-current liabilities-	**863,136**	**66,600**	**929,736**
Non-current bank borrowings	642,248	61,233	703,481
Non-current financial liabilities	120,147	0	120,147
Deferred tax liabilities	23,901	(431)	23,470
Long-term provisions	39,007	5,798	44,805
Other non-current liabilities	37,833	0	37,833
Current liabilities-	**1,545,854**	**(68,193)**	**1,477,661**
Trade payables	247,232	31,313	278,545
Other non-trade payables	42,600	9,905	52,505
Current bank borrowings	1,002,633	34,324	1,036,957
Current financial liabilities	22,630	23	22,653
Payable to public authorities	39,785	11,255	51,040
Provisions for returns	10,507	0	10,507
Other current liabilities	21,391	4,063	25,454
Liabilities associated with assets classified as held for sale	159,076	(159,076)	0
Total liabilities	**1,923,079**	**(546)**	**1,922,533**

Consolidated income statement-

The reconciliation of the consolidated income statement published in the consolidated financial statements of 2017 with the consolidated income statement, modified for comparative purposes, in the current consolidated financial statements is shown below:

	Year 2017	**Media Capital effect**	**Year 2017 restated**
Revenue	1,144,831	163,883	1,308,714
Other income	25,874	1,152	27,026
OPERATING INCOME	1,170,705	165,035	1,335,740
Cost of materials used	(177,077)	(20,727)	(197,804)
Staff costs	(361,325)	(41,189)	(402,514)
Depreciation and amortisation charge	(69,653)	(7,903)	(77,556)
Outside services	(424,917)	(61,915)	(486,832)
Change in allowances, write-downs and provisions	(17,911)	(210)	(18,121)
Impairment of goodwill	(618)	(86,136)	(86,754)
Other expenses	(13,459)	(58)	(13,517)
OPERATING EXPENSES	(1,064,960)	(218,138)	(1,283,098)
PROFIT FROM OPERATIONS	105,745	(53,103)	52,642
Finance income	5,529	94	5,623
Finance costs	(81,016)	(4,084)	(85,100)
Exchange differences (net)	10,818	(492)	10,326
FINANCIAL LOSS	(64,669)	(4,482)	(69,151)
Result of companies accounted for using the equity method	4,819	0	4,819
Loss from other investments	(1,163)	0	(1,163)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	44,732	(57,585)	(12,853)
Expense tax	(51,977)	(9,582)	(61,559)
LOSS FROM CONTINUING OPERATIONS	(7,245)	(67,167)	(74,412)
Profit/Loss afther tax from discontinued operations	(68,502)	67,518	(984)
CONSOLIDATED LOSS FOR THE YEAR	(75,747)	351	(75,396)
Loss attributable to non-controlling interests	(27,168)	0	(27,168)
LOSS ATTRIBUTABLE TO THE PARENT	(102,915)	351	(102,564)

Consolidated statement of cash flow-

The reconciliation of the consolidated cash flow statement published in the consolidated financial statements of 2017 with the consolidated cash flow statement, modified for comparative purposes, in the current consolidated financial statements is shown below:

	Year 2017	Media Capital effect	Year 2017 restated
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	**44,732**	**(57,585)**	**(12,853)**
Depreciation and amortisation charge and provisions	101,233	94,308	195,541
Changes in working capital	**(68,235)**	**(5,127)**	**(73,362)**
Inventories	15,444	1,900	17,344
Accounts receivable	(17,905)	4,395	(13,510)
Accounts payable	(65,774)	(11,422)	(77,196)
Income tax recovered (paid)	(27,483)	(9,714)	(37,197)
Other profit adjustments	**55,098**	**5,069**	**60,167**
Financial results	64,669	4,482	69,151
Gains and losses on disposal of assets	(1,721)	-	(1,721)
Other adjustments	(7,850)	587	(7,263)
CASH FLOWS FROM OPERATING ACTIVITIES	**105,345**	**26,951**	**132,296**
Recurrent investments	**(63,390)**	**(4,039)**	**(67,429)**
Investments in intangible assets	(44,550)	(295)	(44,845)
Investments in property, plant and equipment	(18,840)	(3,744)	(22,584)
Investments in non-current financial assets	(21,256)	-	(21,256)
Proceeds from disposals	8,563	16	8,579
Investments in non-current financial assets	2,117	-	2,117
CASH FLOWS FROM INVESTING ACTIVITIES	**(73,966)**	**(4,023)**	**(77,989)**
Proceeds and payments relating to equity instruments	(50)	-	(50)
Proceeds relating to financial liability instruments	20,889	-	20,889
Payments relating to financial liability instruments	(21,632)	(3,708)	(25,340)
Dividends and returns on other equity instruments paid	(26,184)	(941)	(27,125)
Interest paid	(34,305)	(3,576)	(37,881)
Other cash flow from financing activities	(6,640)	-	(6,640)
CASH FLOWS FROM FINANCING ACTIVITIES	**(67,922)**	**(8,225)**	**(76,147)**
Effect of foreign exchange rate changes	**(7,079)**	**-**	**(7,079)**
CHANGE IN CASH FLOWS FROM CONTINUING OPERATIONS	**(43,622)**	**14,703**	**(28,919)**
Cash flows from operating activities from discontinued operations	26,951	(26,951)	-
Cash flows from investing activities from discontinued operations	(4,318)	4,318	-
Cash flows from financing activities from discontinued operations	(8,225)	8,225	-
CHANGE IN CASH FLOWS FROM DISCONTINUED OPERATIONS	**14,408**	**(14,408)**	**-**
CHANGE IN CASH FLOWS IN THE YEAR	**(29,214)**	**295**	**(28,919)**

2. INTANGIBLE ASSETS

GOODWILL

The detail, by business segment and in thousands of euros, of the goodwill relating to fully and proportionately consolidated Group companies and of the changes therein in 2018 is as follows:

	Thousands of euros			
	Balance at 12/31/2017	Translation adjustment	Impairment	Balance at 12/31/2018
Radio	106,625	(4,217)	-	102,408
Education	57,475	(6,153)	-	51,322
Media Capital	330,559	-	(76,099)	254,460
Other	3,456	84	(2,882)	658
Total	**498,115**	**(10,286)**	**(78,981)**	**408,848**

The Media Capital impairment is the result of increasing the applicable discount rate, and decreasing the long term growth rate, of the company, due to developments that have taken place in the second half of 2018. Among them we see increased Portugal country risk due to rising geopolitical uncertainty in Europe, and increased market volatility and lower long term growth prospects in the free-to-air television industry in Europe, all of which have negatively impacted the valuation of comparable companies. Taking these adjustments into account in our impairment test, an impairment of EUR 76,099 thousand was recorded in the consolidated income statement in 2018.

After the impairment recorded, the book value of Media Capital is similar to the value in use, so that an adverse variation in the individual hypotheses considered as used in the valuation could imply the recognition of impairment in the future.

OTHER INTANGIBLE ASSETS

Additions to the Group's consolidated financial statements under "Other intangible assets' during 2018 totalled EUR 47,552 thousand, corresponding mainly to:

- *'Prototypes'* amounting to EUR 34,171 thousand, relating to new prototypes for the publication of books at Grupo Santillana de Ediciones, S.L. , mainly in Brazil and in Spain.

- *'Computer software'* amounting to EUR 11,585 thousand, relating to the computer software acquired and/or developed by third parties for Group companies , mainly in Santillana, Prisa Noticias and Radio in Spain.

Grupo Santillana de Ediciones, S.L. derecognized EUR 37,860 thousand of fully depreciated prototypes in 2018. Additionally, the different business segments derecognized fully depreciated computer software.

The intangible asset amortization expense recorded in 2018 totaled EUR 41,716 thousand.

3. PROPERTY, PLANT, AND EQUIPMENT

Additions to the Group's consolidated financial statements under "Property, plant and equipment' during 2018 totaled EUR 21,032 thousand, corresponding mainly to:

c) *'Other property, plant and equipment'* amounting to EUR 12,453 thousand, mainly for investments made by Santillana in digital developments and learning systems.

d) *'Plant and machinery'* amounting to EUR 4,834 thousand, mainly due to investments made by Grupo Media Capital, SGPS, S.A. in postproduction system.

In 2018, property plant and equipment fully depreciated had derecognized mainly in the companies of dedicated to printing, within the Press business unit. Additionally derecognition of fully depreciated assets linked to digital developments and Santillana's learning systems are included.

The property, plant and equipment amortization expense recorded in 2018 totaled EUR 23,759 thousand.

4. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The change in this consolidated balance sheet section in 2018 is mainly due to the equity in Sistema Radiópolis, S.A. de C.V. profits amounting to EUR 5,044 thousand and to the exchange rate effect.

5. NON-CURRENT FINANCIAL ASSETS

The variation in the item "Loans and receivables" is mainly due to the long-term receivables from the sale of the radio companies in the USA by GLR Services, Inc. *(see note 11).*

6. TAX MATTERS

Deferred tax assets and liabilities-

The changes in "Deferred Tax Assets" mainly include (I) the result of the audit completed in 2018 corresponding to the Corporate Tax of the PRISA consolidation group for the period from 2012 to 2015, which generated a reallocation of credits from one category to another category, causing an addition of tax credits arising from tax loss carryforwards for an amount of EUR 44,821 thousand , and a disposal of the tax credit due to limiting the deductibility of financial expenses in the amount of EUR 49,457 thousand, and (II) the effect of the analysis of the recovery of tax credits has been carried out, in accordance with the criteria established by accounting standards, which produced a disposal of tax credits corresponding to the following (i) deductions for double taxation for the amount of 27,315 thousand euros; (iii) tax credits derived from the non-deductibility of the net financial expense for the amount of 37,061 thousand euros; and (iv) credits for negative tax bases for the amount of 106,544 thousand euros.

These write-offs are derived, essentially, from (i) a perspective of cash optimization in line with long-term projections of Prisa, (ii) the Refinancing impact described in the note 9 of this explanatory notes and (iii) the result of the Tax Audit completed in 2018 corresponding to the Corporate Tax of the Prisa consolidation group for the period from 2012 to 2015, which generated a reallocation of credits from one category to another category that was negatively impacted by their recovery.

The net changes to "Deferred Tax Liabilities" in the amount of EUR 4,858 thousand mainly refer to the different accounting and tax recognition criteria for certain institutional sales made in Brazil and the depreciation expenses of intangible assets.

Tax Audits-

The tax consolidation audits of the Group for the Corporate Tax corresponding to 2006 to 2008 ended with the opening of a signed Notice of disagreement for the amount of 9 thousand euros, which was paid by the Company. However, the Company was not in agreement with the criteria maintained by the audit in the regularization proposed by it, and the relevant claims and appeals have been filed, and on the date of formulation of these statements, they are pending resolution before the National Court. No additional equity impact will be derived from these actions.

The verification of the individual Corporate Tax for 2008 of Sociedad Española de Radiodifusión ended with the opening of a Notice for the amount of 219 thousand euros, which was paid by the Company. However, the corresponding economic-administrative appeal was filed with the TEAC and, later, a contentious-administrative appeal before the National Court, which is currently pending resolution. No additional equity impact will be derived from these actions.

With regard to the Value Added Tax for the period from June 2007 to December 2008, the audits were finalized with the opening of two Notices, one for 539 thousand euros, and the other for 4,430 thousand euros, both of which have been the subject of economic-administrative appeals before the TEAC. A resolution partially upheld by the TEAC was received against the one filed in the corresponding administrative resource that is pending resolution. The tax debt arising from these Notices was paid.

The partial tax audits related to Corporate Income Tax for the 2008 financial year of the tax consolidation group 225/04, whose parent company, for that financial year, was the company Dédalo Grupo Gráfico, S.L. concluded with the Notice of disagreement, without giving rise to any payment to be made, in which the deferred tax assets for future financial years generated before Sociedad Dédalo Grupo Gráfico, S.L. were adjusted. Likewise, a consequence of this regularization saw a sanction of EUR 1,525 thousand imposed on the Company. In 2018, the tax Authorities, has annulated, by formal defects, the Notice of disagreement and the sanction.

The audit procedure regarding the Value Added Tax for the period of May 2010 to December 2011 of VAT Group 105/08 of which Promotora de Informaciones, S.A. is the parent company, ended with the signing of a Notice of agreement for the amount of 512 thousand euros, which was paid and recorded in 2016; and another Notice of disagreement for the amount of 7,785 thousand euros, which, although it has been appealed, was also paid and recorded with a charge to the profit and loss account.

The audits related to the Corporate Tax corresponding to 2009 to 2011 in Fiscal Consolidation Group 2/91, of which Promotora de Informaciones is the parent company, and in Fiscal Consolidation Group 194/09, of which Prisa Radio, SA was the parent company, were completed in 2016. For Promotora de Informaciones, S.A., these resulted in the signing of a Notice of disagreement with no amounts payable and whose impact was recorded in that fiscal year. The Company filed the corresponding economic-administrative appeal with the TEAC, and then, a contentious-administrative appeal with the National Court, which is currently pending resolution.

In 2017, audits related to Corporate Tax for 2012 and 2013 were initiated for fiscal consolidation group 194/09, of which PRISA RADIO was the parent company. These actions also covered the Corporate Tax for 2012 to 2015 of Consolidation Group 2/91, of which Promotora de Informaciones, S.A. is the parent company, and the Value Added Tax for the period from February 2013 to December 2015 of VAT Group 105/08, of which Promotora de Informaciones, S.A. is the parent company, as well as withholdings for Personal Income Tax and withholdings for Non-Resident Income Tax for the period from 2013 to December 2015.

The audits related to withholdings of Personal Income Tax for the period from 2013 to December 2015 were completed in 2018 with the signing of a Notice of agreement for the amount of 192 thousand euros, which has been recorded. Furthermore, the audits related to withholdings of Non-Resident Income Tax corresponding to the same tax periods have been completed, without any regularisation being derived from them. The audits related to Value Added Tax have also been completed with the signing of a Notice of agreement for the amount of 3,182 thousand euros, which was paid as of the date of formulation of these annual statements, but which did not have any impact on equity since it was provided for in previous fiscal years.

On the date of elaboration of these explanatory notes, the audits related to Corporate Tax for 2012 to 2015 have been finalised, from which no amounts payable were derived, and whose main effect entailed a redistribution of tax credits from one category to another, which negatively impacted their recovery within the time limit set by accounting standards.

Other relevant tax issues-

As a result of the measures established by Royal Decree-Law 3/2016, of December 2, an increase in tax expense amounting to EUR 6,815 thousand was redeemed, 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.

7. EQUITY

a) Share capital

On January 1, 2018, the share capital of Prisa amounted to EUR 83,498 thousands and was represented by 88,827,363 ordinary shares with a nominal value of EUR 0.94 each.

During 2018 the following operations have been carried out and have modified the share capital of Prisa:

i. In February 2018, a capital increase was carried out, with preferential subscription rights, amounting to EUR 441,189 thousands, through the issuance and subscription of 469,350,139 new ordinary shares of the Company, EUR 0.94 of nominal value each, of the same class and series as the rest of the outstanding shares. The issuance rate of the shares was EUR 1.20 (EUR 0.94 of nominal value and with an issue premium of EUR 0.26 each).

   The total effective amount of the capital increase, considering the nominal value of the shares (EUR 441,189 thousands) and the issue premium (EUR 122,031 thousands) has amounted to EUR 563,220 thousands.

ii. In relation to the *Warrants* 2013 issued pursuant to the resolutions passed at the General Shareholders 'Meeting of the Company held on December 10, 2013 (the "General Shareholders' Meeting"):

   • In September 2018, 2,683,063 Warrants 2013 were exercised, which resulted in the subscription of 140,524 newly issued ordinary shares each with a nominal value of EUR 0.94 each. The amount of the corresponding capital increase was EUR 132 thousand.

   • In December 2018, 1,696,832 Warrants 2013 were exercised, which resulted in the subscription of 88,870 newly issued ordinary shares with a face value of EUR 0.94 each. The amount of the corresponding capital increase was EUR 84 thousand.

As a result, as of December 31, 2018, share capital of Prisa amounts to EUR 524,902 thousand and is represented by 558,406,896 ordinary shares, all belonging to the same class and series, with a nominal value of EUR 0.94 each, fully subscribed and with identical rights.

Share capital is fully subscribed and paid up.

Extinction of the Warrants 2013:

In accordance with the resolutions of the "General Shareholders' Meeting", in December 2018 the term of 5 years for the exercise of the Warrants 2013 has expired. As a result, all the 2013 Warrants pending of exercise as of such date have been extinguished, that supposes a reversal of the reserve constituted for that purpose to voluntary reserves.

b) Share premium

The main entries in 2018 are as follows:

- In February 2018 the share premium increased by EUR 122,031 thousand as a result of the aforementioned capital increase.

- The share premium also increased by EUR 1,624 thousand as a result of the aforementioned warrant conversions.

As a consequence of these entries and at their associated costs with a value of EUR 17,145 thousand, the value of the share premium on 31 December 2018 is EUR 201,512 thousand, and is entirely available (EUR 95,002 thousands as of 31 December 2017).

8. LONG-TERM PROVISIONS

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

The details of the changes in this section for 2018 are as follows (in EUR thousand):

	Thousands of euros						
	Balance at 12/31/2017	Translation adjustment	Changes in scope of consolidation	Charge for the year	Amounts used /Disposals	Transfers	Balance at 12/31/2018
For taxes	22,133	2	(6)	2,852	(16,263)	(20)	8,698
For indemnities	7,025	(93)	-	1,126	(2,691)	58	5,425
For third-party liability and other	15,647	(1,020)	-	5,003	(4,246)	(940)	14,444
Total	**44,805**	**(1,111)**	**(6)**	**8,981**	**(23,200)**	**(902)**	**28,567**

In 2018, the "*Provision for taxes*" entry mainly corresponds to the reversion of the provision for taxes since the procedures covered by it were completed without the occurrence of the risks associated with it, and the allowance includes the projection of the concepts that were formalised by the audit in the verification procedure finalised in 2018 *(see note 6*).

9. FINANCIAL LIABILITIES

The breakdown of "Non-current financial liabilities" and "Current financial liabilities," in EUR thousand, is as follows:

	Non-current financial liabilities	Current financial liabilities	Total financial liabilities
	12.31.2018	12.31.2018	12.31.2018
Bank borrowings	1,149,661	76,121	1,225,782
Other financial liabilities	125,703	58,643	184,346
Total	**1,275,364**	**134,764**	**1,410,128**

Bank borrowing

The most significant balance under "Financial liabilities" relates to bank borrowings, the details of which, in EUR thousand, as of December 31, 2018 are as follows:

	Drawn-down amount maturing at short term	Drawn-down amount maturing at long term
Syndicated loan Prisa (Tranches 2)	-	956,512
Syndicated loan Prisa (Tranches 3)	-	161,080
Credit facilities	17,515	-
Loans	45,364	49,671
Finance leases, interest and other	13,305	5,226
Fair value in financial instruments	(63)	(22,828)
Total	**76,121**	**1,149,661**

Syndicated loan (Tranche 3) and PPL-

During the first half of 2018, the Company transferred EUR 183,928 thousand of Profit Participating Loans (PPL) to Tranche 3 of the Group's financial debt. Likewise, during the same period, a capitalisable cost interest (PIK) of the Profit Participating Loans (PPL) and Tranche 3 was accrued for EUR 4,526 and EUR 4,161 thousand, respectively.

Refinancing-

On January 22, 2018, the Company signed with all the financial creditors of the *Override Agreement* (agreement to refinance the Group's debt signed in December 2013) an agreement to refinance and modify the terms of Prisa's in forced financial debt. On June 29, 2018, the refinancing agreement (the Refinancing) came into effect, once the agreements reached with all of its creditors were concluded.

The Refinancing agreement was a first repayment of EUR 480,000 thousand made on June 29, 2018, which were intended to amortise debt.

Therefore, as part of the refinancing of its financial debt, Prisa agreed to the renewal of its syndicated loan amounting to EUR 1,117,592 thousand (once the previous repayment was made), which is structured in two sections with the following characteristics:

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

The Company's Refinancing agreement contemplates the mechanism of automatic conversion of Tranche 3 debt to Tranche 2 as the aforementioned Tranche 2 is reduced by forced or voluntary amortization debt. On June 30, 2018 the Profit Participating Loans (PPL) conversed to Tranche 2 and 3.

Likewise, the Refinancing agreement has involved a restructuring of the debt, which has included a new borrower, Prisa Activos Educativos, S.L.U., which has assumed nominal debt of Prisa for an amount of EUR 685 million, within the framework of a reorganisation of the Prisa Group (*see note 11*), which, among other aspects, allows part of the debt to be allocated in the Education business unit, the main cash generating unit of the Group, in order to meet the payments associated with the debt. The rest of the amount of the debt remains recorded in Prisa.

Compliance with certain financial ratios is established in the financial agreements for the Prisa Group, which have been complied with since the Refinancing came into force.

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 Company carried out an analysis of the conditions agreed upon in the framework of the refinancing carried out, concluding that they constituted a substantial modification of the previous conditions, for which reason the original financial liability cancelled and a new liability derived from the refinancing recognised. The initial recognition of the financial liability made at fair value of the debt. A financial income amounting to EUR 25,546 thousand recognised in "*Fair value of financial instruments*" in the accompanying consolidated income statement, for the difference between the nominal value of the debt and its fair value at the date it was initially recorded. To determine the fair value a credit risk arising from a report provided by an independent expert regarding the transactions made in the secondary debt market used (level 2 variables, estimates based on other observable market methods). The fair value of the Refinancing debt, according to this calculation, amount to EUR 1,092,046 thousand at June 30, 2018. All of the expenses and commissions corresponding to the financial indebtedness have been recognised in *"Finance costs"* of the accompanying consolidated income statement.

Other aspects of debt-

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

Personal guarantees

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

Educativos, S.L.U., Prisa Activos Radiófonicos, S.L.U., Prisa Noticias, S.L.U., Prisaprint, S.L.U and Prisa Gestión Financiera, S.L.U.

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

Guarantees

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

Part of Prisa's investment in Grupo Santillana Educación Global, S.L. (75% share capital), in Prisa Radio, S.A. (73.49% share capital) and Grupo Media Capital SGPS, S.A. (84.69% share capital) and the 100% of the investments (100% share capital) in Prisa Activos Educativos, S.L.U., Prisa Activos Radiofónicos, S.L.U., Prisa Noticias, S.LU., Prisaprint, S.L.U. and Prisa Gestión Financiera, S.L.U. was also pledged, thereby insuring Tranches 2 and 3.

Other aspects

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

Credit facilities and other debts with credit institutions-

On June 29, 2018, and within the framework of Refinancing the debt, the Company established a Super Senior credit policy for a maximum amount of up to EUR 86.5 million, of which 50 million have the objective of financing the Company's operating needs. As of December 31, 2018 no drawdowns have been made. The guarantee structure of this Super Senior credit policy is the same as the one mentioned above relating to Tranche 2 and 3 of the debt of Prisa, in such a way that the creditors of said credit policy and those of Tranche 2 and 3 have the same guarantees. However, the Super Senior credit policy has a preferential rank with respect to Tranches 2 and 3 in relation to said guarantees. Also, Grupo Santillana Educación Global, S.L. and Grupo Media Capital, SGPS, S.A. they also assume certain restrictions in relation to this credit policy.

Other financial liabilities

The long-term *'Other financial liabilities'* section includes long-term financial liabilities amounting to EUR 125,450 thousand for the obligation to pay a preferential dividend for a minimum annual amount of USD 25.8 million to DLJSAP Publishing Cööperatief, U.A. for its 25% holding in the share capital of Grupo Santillana de Ediciones, S.L.

In addition, the short-term *'Other financial liabilities' section* includes the accrued obligation to pay during 2018 said preferential dividend for an amount of EUR 22,581 thousand.

Likewise, the *"Current financial liabilities"* includes current liabilities derived from the agreement signed by Prisa Radio, S.A. with 3i Group plc for the acquisition by Prisa Radio, S.A. of the shares of 3i Group plc in treasury stock amounted to EUR 35,987.

10. CONSOLIDATED INCOME STATEMENT

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

	Thousand of euros	
	12.31.2018	12.31.2017
Advertising sales and sponsorship	483,928	467,705
Sales of books and training	578,718	646,428
Newspaper and magazine sales	68,267	79,377
Sales of add-ons and collections	9,815	16,826
Sale of audiovisual rights and programmes	28,413	28,646
Intermediation services	10,563	10,317
Other services	66,413	59,415
Revenue	**1,246,117**	**1,308,714**
Income from non-current assets	19,685	4,262
Other income	14,486	22,764
Other income	**34,171**	**27,026**
Total operating income	**1,280,288**	**1,335,740**

11. CHANGES IN THE GROUP STRUCTURE

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

Subsidiaries

In February 2018, the liquidation of Infotecnia 11824, S.L., a company in which Prisa Tecnología, S.L. holds an interest of 60%, took place.

In March 2018, Prisa Activos Educativos, S.L.U. was created, which is fully owned by Promotora de Informaciones, S.A.

Also in March the liquidation of Prisa Radio Perú, S.A.C., a company that is 99.99% owned by Sociedad Española de Radiodifusión, S.L. took place.

Additionally in March, Eresmas Interactiva Inc and Latam Digital Ventures, LLC merge with Prisa Digital Inc., a company that is renamed to Prisa Brand Solutions USA, Inc.

In April, the liquidation of Collserola Audiovisual, S.L., a company 99.95% owned by Promotora de Emisoras de Televisión, S.A., took place and Prisa Eventos, S.L. merges with Prisa Noticias, S.L.

Without affecting the Group's consolidation scope, in May 2018 Prisa Participadas, S.L. was partially split, giving rise to Prisa Activos Radiofónicos, S.L. (a company that is fully owned by Promotora de Informaciones, S.A.), which now holds the representative shares of 74.49% of Prisa Radio, S.A. In addition, there was a split in the printing business, Prisaprint, S.L., the shares of which are subsequently contributed to Prisa Noticias, S.L. Also in May, Promotora de Informaciones, S.A. contributed to Prisa Participadas, S.L., through a non-monetary contribution, its 100% interest in Prisa Gestión de Servicios, S.L., Prisa Brand Solutions, S.L.U., Prisa Audiovisual, S.L.U. and Promotora de Emisoras, S.L.

These business operations are aimed at achieving an organisational structure in which the different business areas - i.e. Education, Radio, Press and Media Capital- are managed through legally separate business units, keeping the rest of the shares considered non-strategic separate, making it possible to optimise the organisational structure of the businesses and the Group's organisation chart.

On June 29, 2018, and in the context of the process of refinancing the Group's debt (*see notes 1a and 9*), Prisa Activos Educativos, S.L.U. acquired 75% of the share capital of Grupo Santillana Educación Global, S.L. (Santillana), of which Prisa Participadas, S.L. was the holder This acquisition has been financed through the assumption by Prisa Activos Educativos, S.L.U. of financial debt of Prisa with the new conditions agreed in the mentioned Refinancing, related to terms, costs and guarantees.

This purchase has been made in accordance with the general rules for transactions between companies of the same group contained in the General Accounting Plan in relation to the valuation of the operation, which has meant assessing it at fair value, based on the valuation report of the participation issued by an independent expert. Once the sale of Santillana was recorded, Prisa Participadas distributed to Prisa a dividend on account of the result of the 2018 financial year amounting to EUR 570 million.

The purpose of this operation is to take advantage of Santillana's financial capacity to service the debt with the cash flows generated by its business and complete the restructuring and reorganisation of the Group's businesses described above.

The sale of Santillana described above has had no impact on either Prisa consolidated net equity or the consolidated income statement.

In July 2018, Gestión de Marcas Audiovisuales, S.A. merges with Sociedad Española de Radiodifusión, S.L. and Prisa Música, S.A. with Gran Vía Musical de Ediciones, S.L.

Also in July 2018 GLR Southern California, LLC., W3 Comm Inmobiliaria, S.A. de C.V. and W3 Comm Concesionaria, S.A. de C.V. (associated company) were sold.

In December 2018, the merger by absorption of Prisa Audiovisual, S.L.U. Prisa División Internacional, S.L., Prisa Inn, S.A., Promotora de Emisoras, S.L.U. and Promotora de Emisoras de Televisión, S.A. with Prisa Participadas, S.L. was produced.

Also, in December 2018, Prisaprint, S.L. sold Bidasoa Press, S.L.

Additionally, in December 2018, Inevery DPS, S.L.U. merges with Ítaca, S.L. and Educa Inventia, Inc merges with Ediciones Santillana, Inc.

Associates

In November 2018, Prisa Noticias, S.L. sells the 25% stake it owned in Betmedia Solutions, S.L.

Also, in November 2018, Sociedad Española de Radiodifusión, S.L. sold its stake of 50% in GLR Costa Rica, S.A.

In December 2018, Prisa Radio, S.A. sells 60% of its share in Planet Events, S.A. meaning it owns 40%, which means the company is consolidated by the equity method.

Also, in December 2018, Plural Entertainment Canarias, S.L.U. sold its stake in Nuntium TV, S.L.

12. AVERAGE NUMBER OF EMPLOYEES

The breakdown of the Group workforce, by gender, was as follows:

	12.31.2018		12.31.2017	
	Women	Men	Women	Men
Executives	110	260	124	264
Middle management	485	641	517	687
Other employees	3,268	3,774	3,281	3,825
Total	**3,863**	**4,675**	**3,922**	**4,776**

13. REMUNERATION OF DIRECTORS AND EXECUTIVES

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

Sections 2320 and 2325: The aggregate remuneration of Prisa´s Directors and Managers corresponds to the accounting expense registered by Prisa as well as by other companies of the Group.

Compensation of the Board of Directors

i) The aggregated remuneration of Pisa directors reflected in the table above corresponds to the accounting provisions made in the income statement of Prisa and other companies of its Group 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 2018 (IR) and in the Annual Report on Corporate Governance 2018 (IAGC), in which it is followed the criteria required by the "Circular 2/2018 of the CNMV, whereby the model of annual report remuneration of directors is established", which is not the accounting provision basis.

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

iii) Remuneration of Mr. Manuel Polanco Moreno (non-executive Chairman until December 31, 2018):

- Effective January 1, 2018, Mr. Manuel Polanco Moreno ceased as deputy executive chairman, becoming non-executive chairman of Prisa. The Board approved this appointment (December 2017), 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 905 thousand euros, which have been paid in 2018 but that are not included in the previous table since the accounting expense was recorded in the 2017 profit and loss account.

- In accordance with the Directors 'Remuneration Policy for the period 2018-2020, which was approved at the Ordinary Shareholders' Meeting held on April 25, 2018 and which is applicable with retroactive effect as of January 1, 2018 (the "Remuneration Policy"), Mr Manuel Polanco Moreno shall be entitled to receive a gross fixed annual remuneration of 500 thousand euros in his capacity as a director and as the non-executive Board Chairman, which shall be paid in cash on prorated monthly basis. The remuneration corresponding to 2018, that is, 500 thousand euros, has been recorded as follows: i) until the approval of the Remuneration Policy, Mr. Manuel Polanco has continued to receive the remuneration that corresponded to him for the mercantile service lease contract that he had with the

Company, for a total amount of 153 thousand euros which are registered within "salaries"; ii) the difference of up to 500 thousand euros, that is, 347 thousand euros, are registered under " Compensation for belonging to the Board and/ or Board Committees ".

- By resolution of the Board of Directors held in December 2018, Mr. Manuel Polanco Moreno has ceased as non-executive Chairman of Prisa as of January 1, 2019. In the table above there are 230 thousand euros included within "Indemnification", for the non- compete agreement to which Mr. Polanco was entitled if his cease as President occurred before December 31, 2019, and in accordance with the terms provided.

iv) Within the variable remuneration in cash of the directors are included the following items (which amounts in some cases differ from those that are included in the IR and in the IAGC):

- Annual variable compensation (bonus): reflection of the amount corresponding to theoretical annual variable compensation of CEO Mr Manuel Mirat, sole executive director of the Company, if management objectives are achieved. However, since this compensation is subject to achievement of the management objectives at the end of the year 2018, 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 2017 bonus paid in April 2018 to the CEO.

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

In 2018, an accounting expense of 508 thousand euros was recorded for this item in relation to the CEO of Prisa. This expense is included within Compensation systems based on shares in the previous table. However, since this compensation is subject to achievement of the certain objectives, the accounting figure in no way constitutes acknowledgment that that variable compensation has accrued, which will occur, if at all, once the year 2020 is closed and the annual accounts of the Group are prepared, based on the level of achievement of the established objectives.

vi) Attendance fees: In the Remuneration Policy, the attendance fees for the Board and the Committees have been eliminated, effective as of January 1, 2018.

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

<u>Managers´s compensation</u>

The total aggregate compensation of members of senior management and the Internal Audit Manager (the "Managers") in 2018, of Promotora de Informaciones, S.A. and other companies in the Group amounts to EUR 6,790 thousand (EUR 5,065 thousand in 2017).

i. This compensation is the accounting reflection of the overall compensation of managers and therefore do not match with the remuneration accrued in 2018 that will be included in the Annual Report of Corporate Governance 2018 in which is followed the criteria required by the CNMV in the “Circular 2/2018 of the CNMV”, which is not the accounting provision basis.

ii. The aggregate compensation of the managers is the compensation of members of senior management, that being understood to be the members of the Business Management Committee that are not executive directors and have an employment relationship with Prisa and other companies in the Group, managers who regularly attend meetings of the Committee, and the Internal Audit Manager of Prisa. Specifically, it is that of the following executives: Mr. Xavier Pujol, Mr. Guillermo de Juanes, Mr. Augusto Delkader, Mr. Jorge Rivera, Ms. Marta Bretos, Mr. Miguel Angel Cayuela, Mr. Pedro García Guillén, Mr. Alejandro Martinez Peón, Ms Rosa Cullel and Ms. Virginia Fernández.

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

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

iii. The aggregated 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 2018, 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 2017 bonus paid in April 2018 of those who were members of senior management at December 31, 2017, which includes the adjustments in the bonus corresponding to Mr. Manuel Mirat, CEO of PRISA, for his responsibilities as CEO of Prisa Noticias in 2017.

- 1,017 thousands of euros in respect of the post-contractual non-competition agreement and compensation for termination of contracts of senior management in 2018.

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

  In 2018, an accounting expense of 1,140 thousand euros was recorded for this item in relation to the senior management. This expense is included within the the remuneration of the Managers (6,790 thousand euros). However, since this compensation is subject to achievement of the certain objectives, the accounting figure in no way constitutes acknowledgment that that variable compensation has accrued, which will occur, if at all, once the year 2020 is closed and the annual accounts of the Group are prepared, based on the level of achievement of the established objectives.

iv. Finally, it is noted that Mr. Fernando Martinez Albacete, the representative of the director Amber Capital, was a member of PRISA's senior management until June 2017 and, due to the termination of his contract with the Company, he has received amounts in the form of non-competition agreement, until May 2018. These amounts are not included within the remuneration of the Managers (6,790 thousand euros), since they do not refer to payments received for having the status of member of senior management in 2018.

14. RELATED-PARTY TRANSACTIONS

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

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

Transactions with significant shareholders

Section 2350: the aggregate amount of **EUR 29,929 thousand** mainly consists of expenditure on telephony and Internet by Prisa Group companies with Telefónica, the expense by the leasing of offices in Tres Cantos with Telefónica, as well as finance costs derived from credits granted by major shareholders to Prisa Group companies, mainly the Refinancing expenses corresponding to HSBC Holding, PLC and Banco Santander, S.A. amounting to EUR 18,985 thousand *(see note 9).*

Section 2353: the aggregate amount of **EUR 405,040 thousand** mainly included the loans granted to Prisa Group companies by:

- Banco Santander, S.A. amounting to EUR 37,425 thousand (EUR 47,896 thousand at December 31, 2017).

- HSBC Holding, PLC amounting to EUR 367,615 thousand (EUR 458,599 thousand at December 31, 2017).

Section 2360: the aggregate amount of **EUR 4,515 thousand** mainly consists of income of Prisa Group companies for advertising services with Banco Santander, S.A. and Telefónica.

Section 2385: the amount of **EUR 8,810 thousand** includes the expenses of the capital increase corresponding to Banco Santander, S.A. registered in the heading *"Other reserves"* in the accompanying condensed consolidated balance sheet *(see note 7a).*

Transactions with directors and executives

Section 2348: the aggregate amount of **EUR 9,943 thousand** corresponds to the expense recorded for remuneration of directors and executives, in accordance with the breakdown and explanations set out in Chapter IV, section 13.

Transactions between Group employees, companies or entities

Section 2350: the aggregate amount of **EUR 2,157 thousand** mainly consists of expenditure on leasing radio frequencies with investee companies, the financial cost impairment of the loans granted to certain companies of radio in USA and the financial cost for negative exchange rate differences generated by loans granted to associates.

Section 2356: the aggregate amount of **EUR 2,155 thousand** mainly consists of income received by Radio España for technical assistance and advice services, income from advertising services to associates and income received from the sale of copies to Kioskoymás, Sociedad Gestora de Plataforma Tecnológica, S.L.

15. EVENTS AFTER THE BALANCE SHEET DATE

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

In the same date, Prisa Activos Educativos, S.L. —a subsidiary wholly-owned by Prisa—and DLJ entered into a sale and purchase agreement in relation to the quotas representing 25% of the share capital of Santillana.

The price of the acquisition was a fixed amount of 312.5 million euros (the “Total Consideration”) which will be fully paid in cash.

The Total Consideration will be funded by Prisa through a combination of: (i) the proceeds of a capital increase by means of cash contributions, with preferential subscription rights, to be carried out in the amount and on the terms determined by the Board of Directors and (ii) cash available on the Company’s balance sheet funded mainly from the net proceeds of the capital increase with preferential subscription rights carried out in February 2018.

The closing of the acquisition is subject to obtaining the required authorization from the Spanish competition authorities—which is expected to be notified immediately and obtained during March 2019—and to the execution of the capital increase above mentioned. Banco Santander, S.A. and Prisa have entered on the same date into an agreement, subject to customary terms of this kind of documents, whereby Banco Santander, S.A. has committed to underwrite the capital increase in an amount of up to EUR 200 million at a subscription price to be determined in the corresponding underwriting agreement.

Prisa Group

Consolidated Directors' Report for the 2018 financial year

1. BUSINESS PERFORMANCE

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 profit from operations for each of the segments of 2018 and 2017 (in millions of euros):

	12.31.2018					
	Education	**Radio**	**Press**	**Media Capital**	**Other**	**Prisa Group**
PROFIT FROM OPERATIONS	**104.0**	**43.1**	**1.0**	**33.6**	**(96.5)**	**85.3**
Depreciation and amortization	45.6	8.2	4.3	6.6	0.8	65.5
Change in operating allowances	15.8	1.4	1.6	0.5	1.4	20.7
Impairment of goodwill	0.0	0.0	0.0	0.0	79.0	79.0
Impairment of assets	1.8	0,2	0.4	0.0	0.1	2.5
EBITDA	**167,3**	**52.9**	**7.3**	**40.7**	**(15.2)**	**253.0**

	12.31.2017					
	Education	**Radio**	**Press**	**Media Capital**	**Other**	**Prisa Group**
PROFIT FROM OPERATIONS	**110.2**	**28.4**	**(14.1)**	**32.2**	**(104.1)**	**52.6**
Depreciation and amortization	53.0	8.2	7.5	7.9	1.0	77.6
Change in operating allowances	14.1	2.4	1.1	0.2	0.3	18.1
Impairment of goodwill	0.0	0.0	0.8	0.3	85.7	86.8
Impairment of assets	2.0	2.4	8.7	0.1	(0.2)	13.0
EBITDA	**179.3**	**41.4**	**4.0**	**40.7**	**(17.2)**	**248.2**

Consolidated Group performance for 2018 was as follows:

- Groups operating income amounted to EUR 1,280.3 million (-4.2%) and EBITDA to EUR 253.0 million (+1.9%). Both figures were negatively affected by the foreign exchange rate performance, IFRS 15 effect (positive effect in revenues and negative in EBITDA) and Argentina's denomination as a hyperinflationary economy effect. On the other hand, it has been positively affected due to the sale of Santillana assets in USA.

  The Group's Adjusted Operating Revenues and EBITDA in local currency and excluding the IFRS 15 and the sale of Santillana assets in USA, they grow by 1% and 9% respectively.

- Key highlights in 2018 include:

  - In Education, excluding the negative exchange rate effect and IFRS 15, and the positive effect of the sale of Santillana assets in USA, it manages to grow with respect to 2017 year due to good performance of the activity in Mexico, Peru, Chile, Argentina and Norma, compensating that year 2018 was a year without educational novelties in Spain and that it was a year of low cycle in Brazil.

  - Radio saw an operating recovery in EBITDA by 27.9% due to good behavior in Spain (growth in EBITDA by 43.5%).

- Growth in digital advertising in Press. Costs have been reduced during the year.

- Media Capital manages to increase its advertising revenues by +5%. The operating result remains at 2017 levels.

- The exchange rate performance had a negative impact in 2018: EUR -88.4 million in income (of which EUR -7.3 million correspond to Argentina's hyperinflation) and EUR -22.2 million in EBITDA (of which EUR -3.8 million correspond to Argentina's hyperinflation).

- The implementation of the announced Group's Efficiency Plan generates savings in expensives of EUR 48.5 million in 2018. The impact on EBITDA is EUR 39.6 million.

Business performance for 2018 was as follows:

- Operating earnings for **Education** amounted to EUR 600.5 million (-8.5% compared to 2017). Excluding the negative exchange rate impact (EUR -79.9 million, including hyperinflation effect in Argentina), IFRS 15 effect (EUR -2.7 million) and sale of Santillana assets in USA (EUR +7.1 million), income increased compared to 2017 (+3.0%). EBITDA reached EUR 167.3 million (-6.7%). Excluding the exchange rate effect (EUR -23.4 million, including hyperinflation effect in Argentina), IFRS 15 effect (EUR -2.3 million) and sale of Santillana assets in USA (EUR +7.1 million), EBITDA increased +4% over 2017.

    - Campaigns in the south area closed with a solid performance in the most important countries. Brazil stands out which despite to be a low cycle year, it maintain revenues in line compared to 2017 (at constant currency and excluding IFRS 15 effect). They also highlight Argentina, Chile, Colombia and Peru.

    - Campaigns in the north area (mainly Spain and Mexico) saw earnings fall (-6.2% in local currency and excluding IFRS 15 effect and the sale of Santillana assets in USA), mainly due to Spain (-7% because 2018 is a year without novelties, and also due to “double use” effect) and USA (sale of business). Instead, the good performance in Mexico offset this fall (+5% in local currency and excluding IFRS 15 effect).

    - The digital education systems (UNO, Compartir, Farias Brito, Educa y ESL) continue their expansion in Latin America, increasing the number of students by +6% until reaching 1.2 million students.

- Operating income in **Radio** reached EUR 287.6 million, growing +2.5% with respect to 2017 and EBITDA came in at EUR 52.9 million (+27.9%) due to the best evolution in Spain. At constant exchange, revenues grow by +5.2% while EBITDA grow by +26.6%.

    - Advertising for Prisa Radio in Spain has grown by +5.4%. The Local advertising shows a growth by +2.5% while national advertising accounts a +7.9% growth, by in part due to World Cup effect.

    - In Latin America, the advertising grew by +5.8% in local currency (-1.6% in euros due to the currencies depreciation and the hyperinflation effect in Argentina). Highlights the good performance in constant currency in Colombia whose advertising grows by +8.7%.

    - The exchange rate effect has negatively impacted in revenues (EUR -7.7 million) while at EBITDA level the effect has been positive (EUR +0.5 million). In both cases, highlights the hyperinflation effect in Argentina. Excluding the exchange rate effect, revenues grew by +5.2% and EBITDA by +26.6%.

  - 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 203 million (-7.9%). Traditional advertising, circulation and promotions decreased. The rise in digital advertising and cost savings partially offset these impacts. EBITDA reaches EUR 7.3 million, growing by +85% compared to 2017.

  - Circulation revenue continued to see a -14% decrease.

  - The promotions revenue decreased by -41%, although the result is positive and it's in line with 2017.

  - Advertising revenue grew by +1.6% for the period. Digital advertising rise 16% (representing 53% of all advertising revenue in the division), offsetting the drop in Traditional advertising (-11%).

  - An average of 126 million unique visitors was recorded in 2018 (+16%).

  - El País strengthened its position as the top Spanish-language newspaper in world media rankings and AS maintained its digital leadership in America.

- In **Media Capital**, revenues reached EUR 181.8 million (+9.9%) and EBITDA EUR 40.7 million, in line with 2017. The IFRS 15 effect has supposed a growth in revenues and expenses in the same amount (EUR 14 million). Excluding this impact, revenues grew by 1.5%.

  - Advertising revenues grew by 4.9% in 2018 (+2.6% excluding the IFRS15 effect).

  - TVI maintained its 24-hour and prime time leadership, hitting average daily audiences of 21% and 24% respectively for total Television audiences.

  - Media Capital radio maintained its number one position in listeners (Radio Comercial has a 25% share).

The Group's **net bank debt** decreased by EUR 588.6 million for the year and came in at EUR 928.6 million to December 2018.

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, 2018 and December 31, 2017:

	Million of euros	
	12.31.18	12.31.17
Non-current bank borrowings	1,149.7	703.5
Current bank borrowings	76.1	1,037.0
Loan arrangement costs/Fair value	22.8	17.5
Current financial assets	(24.9)	(23.3)
Cash and cash equivalents	(295.1)	(217.5)
NET BANK DEBT	**928.6**	**1,517.2**

2. MAIN RISKS ASSOCIATED TO THE BUSINESS

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

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

Risks relating to the financial and equity situation.

Financing risk-

The Group's financial obligations are set out in note 9 "*Financial liabilities*" in the attached explanatory notes.

As of December 31, 2018, the Group's net bank debt level stood at EUR 928.6 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.
- It limits the ability to adapt to changes in the markets.
- It places the Group at a disadvantage with regard to less indebted competitors.

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

In addition, the level of net indebtedness has been reduced from EUR 1,421.6 million at December 31, 2017 to EUR 928.6 million at December 31, 2018.

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

Equity situation of the Group's Parent Company-

As of December 31, 2018, the equity of the parent Company with respect to the cause of dissolution and/or reduction of capital stipulated in Spain’s Corporate Enterprises Act stood at EUR 418,653 thousand, greater in EUR 68,718 thousand to the two thirds of the capital stock (EUR 524,902 thousand).

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

Credit and liquidity risk-

The adverse macroeconomic situation with major declines in advertising and circulation has had a negative impact on the Group's ability to generate cash flow over recent years, mainly in Spain. Businesses which rely heavily on advertising have a high percentage of fixed costs, and any decline in advertising revenues has major implications for margins and the cash position, making it difficult to implement additional measures to improve Group operating efficiency. As of December 31, 2018, advertising revenue represented 37.8% 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 this respect, on 29 June 2018, within the framework of debt refinancing, the Company established a Super Senior credit policy until June 2023, in the amount of 50 million euros, to finance the Company's operating needs. As of 31 December 2018, no drawdowns of the aforementioned policy have been made.

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

Non-controlling interests in cash generating units-

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 98.01% of its bank borrowings bear interest at floating rates. The Group currently has no derivative contracts for interest rates.

Exposure to exchange rate hedges-

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

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

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

Tax risks-

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

As of December 31, 2018, the consolidated Group had active tax credits amounting to EUR 135.4 million; of these, EUR 87 million corresponded to the tax consolidation group whose parent company is Prisa.

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

Intangible assets and goodwill-

As of December 31, 2018, the company had intangible assets recorded on its consolidated balance sheet amounting to EUR 111.2 million and goodwill of EUR 408.8 million. The analysis of the value of these assets and goodwill used estimates made to date, based on the best available information. It is possible that events which could occur in the future make it necessary to modify these estimates down. In this event, the impact of these new estimates in valuing intangible assets and goodwill will be registered on the future consolidated income statement.

Strategic and operational risks

Macroeconomic risks-

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

During the year 2018, 59.9% of Group operating income came from international markets. Nevertheless, Spain continues to be the Group's main geographical market (representing 40.1% 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 television, press and radio businesses. As of December 31, 2018, advertising revenue represented 37.8% 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.

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

Competition risk-

Prisa's businesses operate in highly competitive sectors.

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

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

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

Country risk-

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

Regulatory risk-

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

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

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

Risk of concentration of sales in the public sector-

The main customers in the Group’s Education business are the governments and public bodies in the various jurisdictions where it operates. During 2018, 20.2% of the operating income of the Education business came from institutional sales, with a particularly high concentration existing in Brazil.

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

Digital transformation process-

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

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

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

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

Technology risk-

The businesses in which the Group operates depend, to a greater or lesser extent, on information technology ("IT") systems. 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 centers. IT systems require regular updates, and it is possible that the Group cannot implement the necessary updates at the right time or that updates might not work as planned. Moreover, cyber-attacks on Prisa's systems and platforms could result in the loss of data or compromise customer data or other sensitive information. Major faults in the systems or attacks on their security could have an adverse effect on Group operating profits and financial conditions.

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

Litigation and third-party claims risk-

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

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

Data protection-

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

Intellectual property-

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

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

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

3. OUTLOOK

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

According to the IMF (data from October 2018), 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 the 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 2018), growth will be ongoing in all countries where Prisa operates in 2019, at a higher rate than in 2018, except in Argentina (it continues to suffer the effects of the cuts, although the fall is less than that suffered in 2018), Venezuela, Puerto Rico and Nicaragua. Brazil will see a higher growth rate (2.4%) while the upswing in Colombia, Chile, Mexico and Peru stands out.

Group business performance will be affected by economic growth. Group earnings will also be affected by the performance of exchange rates. During 2018, the Group's results in Latin America were negatively affected by the weakness of the exchange rate in Argentina, Brazil, Mexico and Colombia. It’s expected by 2019 that the depreciation will continue in most Latin America currencies in the comparison with 2018.

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 38% of the total during 2018). 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 is growing. Effectively, it has increased by 15.6% in 2018 and in the Press Business it already represents 53% of advertising revenues (46% in 2017). According to data from i2P (February 2019) growth continues in 2018.

The advertising market in Spain throughout 2018 has growing by +1.3% according to the i2P report. The estimation of this same source for the year 2019 shows a growth in the Spanish market of +0.7%.

In Spain, the Group's advertising revenues grew by +4.0% in 2018, affected by the evolution of Radio advertising (with growth in both national and local), by digital advertising in Press and by World Cup effect. For the year 2019 advertising revenues are expected to grow in line with digital growth and the continuation of good performance in Radio (both in National and Local).

In Latin America, according to the "PWC Global Entertainment and Media Outlook Report 2018-2022" report, the radio sector expected the advertising market to grow by 3.8% in 2018. Prisa Radio in Latin America has grown 5.6% at constant exchange rates, mainly due to growth in Colombia. For the year 2019, Prisa Radio is expected to continue growing (at constant exchange rate), especially in Colombia (supported by the elections effect and in the Copa America). The market context, according to PwC, continues to expect growth for the region (+3.9%). In the case of Colombia, according to Asomedios+Andiarios, is expected a growth by +0.8%.

In Portugal, the advertising market evolution in 2018 has grown in free-to-air TV sector (+1% according to internal estimates) and digital (+23.3%), while in the Radio sector it has suffered a slight fall (-1.7%). In this context, Media Capital’s advertising revenues have grown by +4.9% with respect to 2017 (+2.6%

without the effect of IFRS 15), due to the increase in Television. For the year 2019 it is expected that Media Capital grows slightly in relation to 2018.

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 2018 contributed 46.9% of the Group's total revenue and 66.1% of its EBITDA. Revenue in Latin America declined -9.3% during this same period due to a negative exchange rate effect. At a constant exchange rate, Education in Latin America grow by 5.6% thanks to evolution in Chile, Peru, Mexico, Argentina (institutional sale), PNLD in Brazil (despite being a low cycle year, an extraordinary result has been achieved) and the sale of assets (Santillana USA and sale of a building in Argentina). These growths offset the fall in Spain (year without new features and the dual use effect) and the perimeter effect of selling the business in the USA. In turn, the digital education systems (UNO, Compartir, Farias Brito, Educa y ESL) continued to expand in Latin America, growing both in students and in billing (in local currencies). The evolution in 2019, in terms of Systems, mainly depend on students signing up, the evolution of the exchange rate (the depreciation of the currencies is expected to continue) and the growth in most of the countries, highlighting Spain (educational developments are expected) and Brazil (year of mid cycle of institutional sales).

Part of Group growth for 2019 will rely on digital expansion. Digital audiences have experienced significant growth (151.9 million unique browsers at December 2018, which represents a growth of 7% compared to the same period of the previous year). In 2019, 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.

For the 2019 year, the Group will continue to be active in strengthening its balance sheet structure, reducing debt and focusing on cash generation.