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

Consolidated Condensed Financial Statements and Consolidated Directors' Report for the six months ended June 30, 2015, together with the Report of limited review

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

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

REPORT ON LIMITED REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

Report on the interim condensed consolidated financial statements

Introduction

We have performed a limited review of the accompanying interim condensed consolidated financial statements ("the interim financial statements") of Promotora de Informaciones, S.A. ("the Company") and Subsidiaries ("the Group"), which comprise the condensed consolidated balance sheet at June 30, 2015 and the related condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity, condensed consolidated statement of cash flows and explanatory notes thereto for the six-month period then ended. The Company's directors are responsible for the preparation of these interim financial statements in accordance with the requirements of International Accounting Standard (IAS) 34, Interim Financial Reporting, as adopted by the European Union, for the preparation of interim condensed financial information, in conformity with Article 12 of Royal Decree 1362/2007. Our responsibility is to express a conclusion on these interim financial statements based on our limited review.

Scope of the review

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

Conclusion

As a result of our limited review, which under no circumstances may be considered an audit of financial statements, nothing has come to our attention that causes us to believe that the accompanying interim financial statements for the six-month period ended June 30, 2015 have not been prepared, in all material respects, in accordance with the requirements of International Accounting Standard (IAS) 34, Interim Financial Reporting, as adopted by the European Union, pursuant to Article 12 of Royal Decree 1362/2007, for the preparation of interim condensed financial statements.

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

Emphasis of matter paragraph

We draw attention to Note 1 to the accompanying Notes to the Condensed Consolidated Financial Statements, which indicates that, as a consequence of the losses registered, the Company´s equity to be considered for the purpose of the dissolution and/or capital reduction as outlined in Capital Companies Law (including participating loans in force at year end) amounts to EUR 119,635 thousand; this amount is below two-thirds of share capital, although it is above half of the share capital. Therefore, the Company is in a situation of economic imbalance. Directors estimate that equity of the Company will be reestablished within the legal deadline. This matter does not affect our conclusion.

We also draw attention to Note 1 to the accompanying Notes to the Condensed Consolidated Financial Statements, which indicates that the aforementioned accompanying interim financial statements do not include all the information that would be required for a complete set of consolidated financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union and, therefore, the accompanying interim financial statements should be read in conjunction with the Group's consolidated financial statements for the year ended December 31, 2014. This matter does not affect our conclusion.

Report on other legal and regulatory requirements

The accompanying interim consolidated directors' report for the six-month period ended June 30, 2015 contains the explanations which the Company´s directors consider appropriate about the significant events which took place in that period and their effect on the interim financial statements presented, of which it does not form part, and about the information required pursuant to Article 15 of Royal Decree 1362/2007. We have checked that the accounting information in the interim consolidated directors' report is consistent with that contained in the interim financial statements for the six-month period ended June 30, 2015. Our work was confined to checking the interim consolidated directors' report with the aforementioned scope, and did not include a review of any information other than that drawn from the accounting records of Promotora de Informaciones, S.A. and Subsidiaries.

Other matters paragraph

This report was prepared at the request of the Board of Directors in relation to the publication of the half-yearly financial report required by Article 35 of Spanish Securities Market Law 24/1988, of July 28, implemented by Royal Decree 1362/2007, of October 19.

DELOITTE, S.L.

Fernando García Beato
July 22, 2015

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

Condensed Consolidated Financial Statements together with Consolidated Directors' Report for the six months ended June 30, 2015

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

Condensed Consolidated Financial Statements for the six months ended June 30, 2015

PROMOTORA DE INFORMACIONES, S.A. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS AT JUNE 30, 2015 AND DECEMBER 31, 2014

(Thousands of Euros)

ASSETS	Notes	06/30/15 (*)	12/31/14
A) NON-CURRENT ASSETS		**1,457,453**	**1,536,749**
I. PROPERTY, PLANT AND EQUIPMENT	3	132,236	142,684
II. GOODWILL		597,836	599,958
III. INTANGIBLE ASSETS	4	136,340	137,198
IV. NON-CURRENT FINANCIAL ASSETS	5	34,472	185,647
V. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD	6	43,520	46,085
VI. DEFERRED TAX ASSETS	7	509,360	421,346
VII. OTHER NON-CURRENT ASSETS		3,689	3,831
B) CURRENT ASSETS		**1,115,423**	**2,054,821**
I. INVENTORIES		165,940	159,242
II. TRADE AND OTHER RECEIVABLES			
1. Trade receivables for sales and services		380,680	458,607
2. Receivable from associates		3,382	3,579
3. Receivable from public authorities		52,816	32,453
4. Other receivables		41,644	69,025
5. Allowances		(71,593)	(67,212)
		406,929	496,452
III. CURRENT FINANCIAL ASSETS	5	246,387	127,886
IV. CASH AND CASH EQUIVALENTS		296,111	152,431
V. NON-CURRENT ASSETS HELD FOR SALE	8	56	1,118,810
TOTAL ASSETS		**2,572,876**	**3,591,570**

EQUITY AND LIABILITIES	Notes	06/30/15 (*)	12/31/14
A) EQUITY	**9**	**(416,038)**	**(617,771)**
I. SHARE CAPITAL		215,808	215,808
II. OTHER RESERVES		(842,894)	80,955
III. ACCUMULATED PROFIT		144,174	(765,239)
- From prior years		133,378	1,471,593
- For the year: Profit attributable to the Parent		10,796	(2,236,832)
IV. TREASURY SHARES		(1,703)	(3,116)
V. EXCHANGE DIFFERENCES		(3,431)	(4,842)
VI. NON CONTROLLING INTEREST		72,008	(141,337)
B) NON-CURRENT LIABILITIES		**2,444,516**	**2,984,524**
I. NON-CURRENT BANK BORROWINGS	10	2,118,335	2,645,505
II. NON-CURRENT FINANCIAL LIABILITIES	10	128,264	118,364
III. DEFERRED TAX LIABILITIES	7	39,089	60,013
IV. LONG-TERM PROVISIONS	11	118,286	115,964
V. OTHER NON-CURRENT LIABILITIES		40,542	44,678
C) CURRENT LIABILITIES		**544,398**	**1,224,817**
I. TRADE PAYABLES		284,170	317,521
II. PAYABLE TO ASSOCIATES		1,657	2,008
III. OTHER NON-TRADE PAYABLES		58,261	67,200
IV. CURRENT BANK BORROWINGS	10	95,009	108,756
V. CURRENT FINANCIAL LIABILITIES	10	11,592	914
VI. PAYABLE TO PUBLIC AUTHORITIES		70,724	57,314
VII. PROVISIONS FOR RETURNS		2,698	6,945
VIII. OTHER CURRENT LIABILITIES		20,287	45,681
IX. LIABILITIES ASSOCIATED WITH NON-CURRENT ASSETS HELD FOR SALE	8	-	618,478
TOTAL EQUITY AND LIABILITIES		**2,572,876**	**3,591,570**

(*) Non audited financial statements

The accompanying Notes 1 to 20 are an integral part of the Condensed Consolidated Balance Sheets at June 30, 2015.

PROMOTORA DE INFORMACIONES, S.A. AND SUBSIDIARIES

CONDENSED CONSOLIDATED INCOME STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2015 AND 2014

(Thousands of Euros)

	Notes	06/30/2015 (*)	06/30/2014 (*)
Revenues		637,939	654,195
Other income		12,082	33,807
OPERATING INCOME	12	650,021	688,002
Cost of materials used		(97,679)	(114,254)
Staff costs	12	(214,283)	(221,091)
Depreciation and amortisation charge		(43,968)	(50,201)
Outside services	12	(252,720)	(264,193)
Variation in operating allowances		(7,424)	(6,826)
Impairment of goodwill		-	(6,791)
Other expenses		(155)	(10,091)
OPERATING EXPENSES		(616,229)	(673,447)
PROFIT FROM OPERATIONS		33,792	14,555
Finance income		51,057	48,879
Finance costs		(106,416)	(97,214)
Changes in value of financial instruments		839	849
Exchange differences (net)		(8,930)	(3,428)
FINANCIAL LOSS	13	(63,450)	(50,914)
Result of companies accounted for using the equity method		2,127	(3,940)
Loss from other investments		-	(57)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		(27,531)	(40,356)
Income tax		54,545	(23,400)
PROFIT FROM CONTINUING OPERATIONS		27,014	(63,756)
Loss after tax from discontinued operations	14	(280)	(2,104,797)
CONSOLIDATED PROFIT FOR THE YEAR		26,734	(2,168,553)
Profit attributable to non controlling interests		(15,938)	5,425
PROFIT ATTRIBUTABLE TO THE PARENT		10,796	(2,163,128)

BASIC EARNINGS PER SHARE (in euros)		0.15	(54.34)

(*) Non audited financial statements

The accompanying Notes 1 to 20 are an integral part of the Condensed Consolidated Income Statements for the six months ended June 30, 2015

PROMOTORA DE INFORMACIONES, S.A. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED JUNE 30, 2015 AND 2014
(Thousands of Euros)

	Share Capital	Share Premium	Reserves	Reserves for First-Time Application of IFRSs	Prior Years' Accumulated Profit	Treasury Shares	Exchange Differences	Accumulated Profit for the Year	Equity Attributable to the Parent	Non Controlling Interests	Total Equity
Balance at 31 December 2013	**105,266**	**781,815**	**(75,005)**	**(72,661)**	**1,528,802**	**(518)**	**(12,451)**	**(648,705)**	**1,606,543**	**(37,217)**	**1,569,326**
Capital increases	35,963	11,955							47,918		47,918
Conversion of financial liabiities into equity		41,575							41,575		41,575
Issuance of equity instruments			1,797						1,797		1,797
Conversion of equity instruments into equity			(48,025)						(48,025)		(48,025)
Treasury share transactions											
- Delivery of treasury shares						2,320			2,320		2,320
- Purchase of treasury shares						(1,781)			(1,781)		(1,781)
- Reserves for treasury shares			260			(260)					
Distribution of 2013 result											
- Reserves			(596,555)		(52,150)			648,705			
Income and expense recognised in equity											
- Translation differences					(11,375)		7,658		(3,717)	1,123	(2,594)
- Profit for 2014								(2,163,128)	(2,163,128)	(5,425)	(2,168,553)
Other			(241)		3,783				3,542	(2,509)	1,033
Changes in non controlling interest											
- Dividends paid during the year										(12,869)	(12,869)
- Due to changes in scope of consolidation										(47)	(47)
Balance at June 30, 2014 (*)	**141,229**	**835,345**	**(717,769)**	**(72,661)**	**1,469,060**	**(239)**	**(4,793)**	**(2,163,128)**	**(512,956)**	**(56,944)**	**(569,900)**

	Share Capital	Share Premium	Reserves	Reserves for First-Time Application of IFRSs	Prior Years' Accumulated Profit	Treasury Shares	Exchange Differences	Accumulated Profit for the Year	Equity Attributable to the Parent	Non Controlling Interests	Total Equity
Balance at 31 December 2014	**215,808**	**1,328,671**	**(1,175,055)**	**(72,661)**	**1,471,593**	**(3,116)**	**(4,842)**	**(2,236,832)**	**(476,434)**	**(141,337)**	**(617,771)**
Treasury share transactions											
- Delivery of treasury shares						2,755			2,755		2,755
- Purchase of treasury shares						(1,162)			(1,162)		(1,162)
- Reserves for treasury shares			180			(180)			-		-
Distribution of 2014 result											
- Reserves			(912,712)		(1,324,120)			2,236,832	-		-
Income and expense recognised in equity											
- Translation differences					(18,004)		1,411		(16,593)	(5,470)	(22,063)
- Profit for 2015								10,796	10,796	15,938	26,734
- Measurement of financial instruments			(11,581)						(11,581)		(11,581)
Other		(97)	361		3,909				4,173	233	4,406
Changes in non controlling interest											
- Dividends paid during the year										(15,601)	(15,601)
- Due to changes in scope of consolidation										218,245	218,245
Balance at June 30, 2015 (*)	**215,808**	**1,328,574**	**(2,098,807)**	**(72,661)**	**133,378**	**(1,703)**	**(3,431)**	**10,796**	**(488,046)**	**72,008**	**(416,038)**

(*) Non audited financial statements

The accompanying Notes 1 to 20 are an integral part of the Condensed Consolidated Statements of Changes in Equity for the six months ended June 30, 2015.

PROMOTORA DE INFORMACIONES, S.A. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPRENHENSIVE INCOME FOR THE SIX MONTHS ENDED JUNE 30, 2015 AND 2014

(Thousands of Euros)

	06/30/2015 (*)	06/30/2014 (*)
CONSOLIDATED PROFIT FOR THE YEAR	**26,734**	**(2,168,553)**
Income and expense recognized directly in equity	**(33,644)**	**(2,594)**
Translation differences	**(22,063)**	**(2,594)**
Measurement of financial instruments	**(16,085)**	**-**
Financial assets available for sale	(16,085)	-
Tax effect	**4,504**	**-**
TOTAL RECOGNIZED INCOME AND EXPENSE	**(6,910)**	**(2,171,147)**
Attributable to the parent company	(17,378)	(2,166,845)
Attributable to non controlling interest	10,468	(4,302)

(*) Non audited financial statements

The accompanying Notes 1 to 20 are an integral part of the Condensed Consolidated Statements of Comprehensive Income for the six months ended June 30, 2015.

PROMOTORA DE INFORMACIONES, S.A. AND SUBSIDIARIES

CONDENSED CONSOLIDATED CASH FLOWS STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2015 AND 2014

(Thousands of Euros)

	06/30/15 (*)	06/30/14 (*)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	(27,531)	(40,356)
Depreciation and amortisation charge and provisions	51,359	73,813
Changes in working capital	**51,126**	**(65,500)**
Inventories	(6,698)	(10,656)
Accounts receivable	101,683	38,462
Accounts payable	(85,036)	(93,508)
Other current assets	41,177	202
Income tax recovered (paid)	(25,320)	(22,936)
Other profit adjustments	**36,190**	**20,902**
Financial results	63,450	50,914
Gains and losses on disposal of assets	-	(23,585)
Other adjustments	(27,260)	(6,427)
CASH FLOWS FROM OPERATING ACTIVITIES	85,824	(34,077)
Recurrent investments	**(31,875)**	**(35,943)**
Investments in intangible assets	(21,445)	(25,405)
Investments in property, plant and equipment	(10,430)	(10,538)
Investments in non-current financial assets	(4,868)	0
Proceeds from disposals	728,809	122,851
Investments in non-current financial assets	4,390	11
CASH FLOWS FROM INVESTING ACTIVITIES	696,456	86,919
Proceeds and payments relating to equity instruments	(1,161)	1,805
Proceeds relating to financial liability instruments	4,218	61,521
Payments relating to financial liability instruments	(582,125)	(151,233)
Dividends and returns on other equity instruments paid	(1,578)	(2,957)
Interest paid	(25,823)	(13,734)
Other cash flow from financing activities	(16,131)	(16,458)
CASH FLOWS FROM FINANCING ACTIVITIES	(622,600)	(121,056)
Effect of foreign exchange rate changes	(16,000)	(6,755)
CHANGE IN CASH FLOWS FROM CONTINUING OPERATIONS	143,680	(74,969)
Cash flows from operating activities from discontinued operations	-	(6,652)
Cash flows from investing activities from discontinued operations	-	(22,416)
Cash flows from financing activities from discontinued operations	-	25,671
Effect of foreign exchange rate changes from discontinued operations	-	186
CHANGE IN CASH FLOWS FROM DISCONTINUED OPERATIONS	0	(3,211)
CHANGE IN CASH FLOWS IN THE YEAR	143,680	(78,180)
Cash and cash equivalents at beginning of year	**152,431**	**139,433**
- Cash	117,410	129,785
- Cash equivalents	35,021	9,648
Cash and cash equivalents at end of period	**296,111**	**61,253**
- Cash	280,508	57,333
- Cash equivalents	15,603	3,920

(*) Non audited financial statements.

The accompanying Notes 1 to 20 are an integral part of the Condensed Consolidated Cash Flow Statements for the six months ended 30 June 2015.

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

Notes to the Condensed Consolidated Financial Statements for the six months ended June 30, 2015

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

PROMOTORA DE INFORMACIONES, S.A. (PRISA)

AND SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2015

(1) BASIS OF PRESENTATION OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2015

The condensed consolidated financial statements of Grupo Prisa for the first half of 2015 have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union, in conformity with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council, taking into account all mandatory accounting policies and rules and measurement bases with a material effect, as well as with the Commercial Code, the obligatory legislation approved by the Institute of Accounting and Auditors of Accounts, and other applicable Spanish legislation.

The condensed consolidated financial statements for the six months ended June 30, 2015 and the notes have been prepared by the Company's directors are presented in accordance with IAS 34 *Interim Financial Reporting* in compliance with RD 1362/2007, of October 19, implementing the Spanish Securities Market Law 24/1988, of July 28, as it relates to the need for transparent information on issuers whose securities are admitted to trading on an official secondary market.

These interim condensed consolidated financial statements were approved by the Prisa´s Directors on July 21, 2015.

In accordance with IAS 34, the interim financial reporting is prepared in order to update the latest approved consolidated financial statements, highlighting the new activities, events and circumstances that have taken place during the first six month of the year and avoiding the repetition of information previously reported in the consolidated financial statements for 2014. Therefore, the interim financial statements do not contain all the information and disclosures required for a complete set of consolidated financial statements in accordance with IFRSs as adopted by the European Union. In order to correctly understand the information included in these condensed consolidated financial statements for the six months ended June 30, 2015, they must be read in conjunction with the consolidated financial statements for 2014.

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

In accordance with IAS 8, the accounting principles and measurement bases applied by the Group are applied uniformly in all transactions, events and concepts, in the first half of 2015 and 2014.

In February 2015 Venezuela passed a legislation by means of which a new exchange rate to be applied in certain currency transactions was established from that moment on. The exchange rate applied in June, 2015 was the one of the new legislation. The main impact of using this new exchange rate was a reduction, within the caption *"Translation differences"*, of the Group's equity in approximately EUR 17 million. As part of this decrease, current financial assets were also reduced.

The condensed consolidated financial statements for the six months ended June 30, 2015 are unaudited.

a) Evolution of the financial structure of the Group

In December 2013, the Group signed a debt refinancing agreement, representing an extension in maturities, greater flexibility in reducing its amount, and a healthier liquidity profile *(see note 10)*.

The improved liquidity was thanks to an additional line of credit subscribed with institutional investors which had been entirely drown down and paid off by the first half of 2015, using a portion of the proceeds from the sale of 56% of the shares in DTS *(see notes 2 and 10)*.

The refinancing agreement included a number of commitments designed to reduce debt in 2015 and 2016; the Group has a number of alternatives at its disposal in order to meet them, including the sale of non-strategic assets, repurchase of debt at a market discount rate, leveraging of operating assets, transfer of debt from one tranche to another, as well as other corporate transactions. The contract includes automatic mechanisms designed to block early termination under certain circumstances, which provide the Group capital structure stability.

In 2014, and during the first half of 2015, the Group carried out a number of transactions designed to meet these debt reduction commitments *(see note 10)*. During this period, the Company repaid loans amounting to EUR 1,367,996 thousand (2014: 776,675 thousand euros, and the first half of 2015: EUR 591,321 thousand):

- EUR 469,713 thousand using a portion of the funds obtained from collecting 80% of the initial selling price of the 56% share in DTS (EUR 385,542 thousand corresponded to the new line of credit obtained in 2013);

- EUR 643,542 thousand generated by the 2014 sale of 13.7% of Mediaset España Comunicación, S.A. ("Mediaset España"), with an average discount of 25.7%. During the first six months of 2015, using part of the proceeds from the sale of an additional 3.63% of the company, EUR 121,608 thousand of the debt was paid off, with an average discount of 22.35%.

- EUR 133,133 thousand were paid off using funds obtained from the capital increase subscribed in 2014 by Consorcio Transportista Occher, S.A. de C.V. with a 25% discount.

Thanks to these transactions, at June 30, 2015 the Group settled its debt-reduction commitments for the year, and expects to also do so in 2016, using available unused amounts arising from the sales of Mediaset España as well as the collection of 80% of the initial sale price of DTS, and of the remaining amount of the transaction. In addition, during its meeting held on February 27, 2015, Prisa's Board of Directors approved a capital increase of EUR 75 million, which were pending subscription at the time. Thus, the next relevant financial commitment is therefore established for 2018.

As reflected in the Group's financing agreements, due to the parent's equity arising from the sale of 56% of DTS, in September of 2014 and April 2015, a number of different processes were formalized to automatically convert Tranche 3 debt in a participating loan amounting to EUR 506,834 thousand and EUR 19,750 thousand , respectively.

At June 30, 2015, as a consequence of the losses registered, the parent's equity to be considered for the purpose of the dissolution and/or capital reduction as outlined in Capital Companies Law (including participating loans in force at year end) amounts to EUR 119,635 thousand; this amount is below two-thirds of share capital, although it is above half of the share capital. Therefore, the Company is in a situation of economic imbalance. Directors estimate that equity of the Company will be reestablished within the legal deadline and consider, among other measures, debt buy backs at discount or other corporate transactions, such as the capital increase of EUR 75 million pending of subscription at the time.

b) New standards which have become effective

During the first half of 2015 new accounting standards have come into force, and therefore, were taken into account when preparing the half-yearly condensed consolidated financial statements. From January 1, 2015 the following new standards are being implemented:

- IFRIC 21: Levies
- Improvements to IFRS Cycle 2011 – 2013
- Amendment to IAS 19

The content of these new standards and amendments are explained in note 2.a. to the 2014 consolidated financial statements. The application of these standards and amendments did not have a significant impact on the condensed interim consolidated financial statements.

The Group has elected not to early adopt other IFRSs issued but not yet effective.

There is no accounting principle or measurement bases having a significant effect on the condensed consolidated financial statements that the Group has failed to apply.

c) Estimates

Consolidated earnings and the determination of consolidated equity are subject to the accounting policies and standards, measurement bases and estimates applied by the Group's directors in the preparation of the condensed interim consolidated financial statements. The accounting policies and standards and measurement bases are explained in notes 2 and 4 to the consolidated financial statements for 2014.

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

1. Income tax expense, which in accordance with IAS 34 is recognized in each interim period based on the best estimate of the weighted average annual income tax rate the Group expects for the full year;
2. The measurement of assets and goodwill to determine the possible existence of impairment losses;
3. The useful life of property, plant and equipment and intangible assets;
4. The assumptions used to calculate the fair value of financial instruments;
5. The likelihood and amount of undetermined or contingent liabilities;
6. Provisions for unissued and outstanding invoices;
7. Estimated sales returns received after the end of the reporting period.
8. The estimates made for the determination of future commitments.
9. The recoverability of deferred tax assets.

Although these estimates were made on the basis of the best information available to date on the events analysed, events that take place in the future might make it necessary to change these estimates (upwards or downwards) at the end of 2015 or future reporting periods. The effects of changes in accounting estimates are applied prospectively in profit and loss in the periods affected by the change.

In the six months ended June 30, 2015, there were no significant changes in the estimates made at the end of 2014.

d) Comparison of the information

The information contained in these condensed consolidated financial statements for the six months ended June 30, 2014 is presented only for comparison purposes with the information relating to the six months ended June 30, 2015.

As a consequence of the reverse split executed by Prisa on May 22, 2015 and in accordance with IFRS 33, the basic result per share at June 30, 2014 has been restated for purposes of comparison.

e) Seasonality of the Group

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

f) Materiality

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

g) Correction of errors

No errors were corrected in the condensed consolidated financial statements for the six months ended June 30, 2015.

(2) CHANGES IN THE GROUP STRUCTURE

The most significant changes in the scope of consolidation in the first half of 2015 were as follows:

Subsidiaries

In January 2015, Santillana Administraçao de Biens, LTDA. was incorporated, 100% owned by Santillana Educación, S.L.

In February 2015, Diario As Colombia, S.A.S. was incorporated, 100% owned by Diario AS, S.L.

Also, in February 2015, Prisa Música Americana, S.A.S. was incorporated, 100% owned by Prisa Música, S.A.

At April 30, 2015, Prisa executed with Telefónica de Contenidos, S.A.U. the sale and purchase agreement of the shares of DTS Distribuidora de Television Digital, S.A. ("DTS"), by means of which PRISA has transferred to Telefónica de Contenidos, S.A.U. all the DTS shares of which it was holder, representing 56% of DTS capital, once the corresponding regulator authorizations have been obtained.

The initial purchase price amounts to EUR 706,812 thousands. Prisa has received from Telefónica the initial payment of EUR 565,450 thousands, corresponding to 80% of the price.

Depending on the amount finally received by DTS from Mediapro, as a result of the award issued in the framework of the legal procedure called by DTS against Mediapro and the review of the adjustments foreseen in the agreement, the final purchase price will be adjusted. Directors consider that the interim condensed financial statements will not be materially impacted from the review of such adjustments. Therefore, at June 30, 2015 the heading *"Current financial assets"* of the consolidated balance sheet, included an estimated amount of EUR 162,376 thousand pending of collection from the sale agreement *(see notes 5 and 16).*

In May 2015, Pleno Internacional, SPA was incorporated, 70% owned by Santillana del Pacífico, S.A. de Ediciones (Chile).

In June 2015, Ediciones El País, S.L. acquired the remaining 50% of Ediciones Conelpa, S.L. to reach 100% stake of company. Ediciones Conelpa, previously integrated using the equity method, started to be fully consolidated.

Associates

In January 2015, Plural Entertainment España, S.L. sold 19.0% of its holding in the capital of Plural Jempsa, S.L.

In March 2015, Q'hubo Radio, S.A.S. was incorporated, 50% owned by Caracol, S.A.

(3) PROPERTY, PLANT, AND EQUIPMENT

Additions to the Group's consolidated financial statements under "*Property, plant and equipment*" during the first half of 2015 totaled EUR 10,430 thousand, corresponding mainly to the investments made for Santillana in digital developments and learning systems (EUR 5,213 thousand) and investments in the course of construction related to the TV segment of Media Capital (EUR 1,322 thousand).

(4) INTANGIBLE ASSETS

Additions to the Group's condensed consolidated financial statements under "*Intangible assets*" during the first half of 2015 amounted to EUR 21,445 thousand and are derived mainly from prototypes of the education business (EUR 17,203 thousand).

(5) FINANCIAL ASSETS

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

	Thousands of euros					
	Non-current financial assets		Current financial assets		Total financial assets	
	06/30/15	12/31/14	06/30/15	12/31/14	06/30/15	12/31/14
Loans and receivables	21,502	19,507	169,684	12,501	191,186	32,008
Held-to-maturity investments	11,177	9,814	74,357	112,115	85,534	121,929
Available-for-sale financial assets	1,793	156,326	2,346	3,270	4,139	159,596
Total	**34,472**	**185,647**	**246,387**	**127,886**	**280,859**	**313,533**

The change in the heading "*Available-for-sale financial assets*" in the first half of 2015, is a consequence of the sale of 14,787,426 shares of Mediaset España, representing 3.63% of the share capital of the company, which generated a cash inflow of EUR 162,097 thousand, and an equity impact of EUR 5,574 thousand for the difference between the fair value and the sale price at December 31, 2014 of the stake sold *(see note 13)*. Part of these proceeds from this sale has used to buy back a portion of its financial debt at a discount *(see note 10)*.

The remaining stake is valued at fair value at June 30, 2015 (EUR 11,755 per share).

At June 30, 2015 the heading *"Current financial assets- Loans and receivables"* of the consolidated balance sheet, mainly includes an estimated amount of EUR 162,376 thousand pending of collection from the DTS sale agreement *(see notes 2 and 16).*

(6) INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Changes in "*Investments accounted for using the equity method*" in the accompanying condensed consolidated balance sheets, during the first half of 2015, are due to the share in the results of Sistema Radiópolis, S.A. de C.V., amounting to EUR 2,480 thousand.

(7) DEFERRED TAX ASSETS AND LIABILITIES

Changes in "*Deferred tax assets*" mainly included (i) payment and collection from the Treasury of certain tax assessments initiated by the tax authorities in the context of a judicial process that have not been guaranteed but have been paid or were paid in the past (EUR 25 million on net basis) (ii) credits derived from limiting the deductibility of financial expenses (EUR 19 million) and (iii) income tax registered as of June 2015, which included a credit derived from the sale of DTS amounting to EUR 54 million and the application of tax credits from previous years of EUR 9 million. Tax credits were registered as far as estimates made by management determined its recoverability within the legal deadline.

Changes in "*Deferred tax liabilities*" mainly arise from the different accounting and tax record criteria of the financial revenue generated by debt buybacks at discount (EUR 6 million) *(see note 13)* and the cancellation of the tax liability generated in 2014 as a consequence of the different accounting and tax treatment of the recognition in equity of the adjustment to fair value (listed price) of the share in Mediaset España (EUR 9 million).

(8) NON- CURRENT ASSETS AND LIABILITIES HELD FOR SALE

On April 30, 2015, as a result of the execution with Telefónica de Contenidos, S.A.U. the sale and purchase agreement of the shares of DTS *(see note 2)*, the assets and liabilities from the said company have been written off, classified until then as held for sale in the consolidated balance sheet.

(9) EQUITY

Share capital

Both the share capital and the number of shares of Prisa have been amended in the first half of 2015, on the occasion of the following transactions:

Share capital reduction

The share capital has been reduced by EUR 1.30, from the amount of EUR 215,807,875.30 to EUR 215,807,874, by redeeming 13 treasury shares with a par value of EUR 0.10, the proceeds of which contributed to the statutory reserve, in order to implement the resolutions adopted by the Annual General Meeting held on April 20, 2015 and to enable the grouping of shares and reverse split passed at the same Meeting.

Grouping and exchange of shares or reverse split

The 2,158,078,740 shares in which the share capital was divided further to the aforementioned reduction were grouped, cancelled and exchanged for 71,935,958 newly issued shares in the proportion of one new share for 30 old shares. The par value of the shares is increased from EUR 0.10 to EUR 3.00, without this entailing a change in the share capital, which remains at EUR 215,807,874 and the number of outstanding shares was reduced. The exchange of shares took effect from May 22, 2015.

Change of denomination of the shares

As consequence of the amendment of the Bylaws, also approved at the Annual General Meeting held on April 20, 2015, the share capital of the Company is represented by ordinary shares, all belonging to the same class and series, having disappeared all references to the Class A shares.

Exercise of Warrants 2013-

Finally it is noted that during the first half of 2015 Warrants 2013 have not been exercise by its owners.

On June 30, 2015, and after the aforementioned transactions, the share capital of Prisa amounts to 215,807,874 euros and is represented by 71,935,958 ordinary shares with a nominal value of EUR 3.00 each.

Share capital is fully subscribed and paid up.

Share premium

The amount of the issue premium reserve at June 30, 2015 amounting to EUR 1,328,574 thousand and it is totally unrestricted.

Non-controlling interest

The detail, by company, of the non-controlling interest at June 30, 2015 and December 31, 2014 is as follows:

	Thousands of euros	
	06/30/2015	12/31/2014
Caracol, S.A. and subsidiaries	14,773	14,724
Diario As, S.L.	11,545	11,016
DTS, Distribuidora de Televisión Digital, S.A.	-	(218,147)
GLR Chile, Ltda.	17,541	16,573
Grupo Santillana de Ediciones, S.A. and subsidiaries	2,344	8,354
Grupo Media Capital, SGPS, S.A. and subsidiaries	7,217	7,680
Prisa Radio, S.L. and subsidiaries (Spain)	12,112	10,116
Other companies	6,476	8,347
Total	**72,008**	**(141,337)**

(10) FINANCIAL LIABILITIES

The detail of "Non-current financial liabilities" and "Current financial liabilities," including bank borrowings, is as follows:

	Thousands of euros					
	Non-current financial liabilities		Current financial liabilities		Total financial liabilities	
	06/30/15	12/31/14	06/30/15	12/31/14	06/30/15	12/31/14
Bank borrowings	2,118,335	2,645,505	95,009	108,756	2,213,344	2,754,261
Other financial liabilities	128,264	118,364	11,592	914	139,856	119,278
Total	**2,246,599**	**2,763,869**	**106,601**	**109,670**	**2,353,200**	**2,873,539**

Bank borrowings

The most significant balance under *"Total financial liabilities"* relates to bank borrowings, the detail of which, in thousands of euros, at June 30, 2015 is as follows:

	Drawn-down amount maturing at short term	Drawn-down amount maturing at long term
Syndicated loan Prisa (Tranches 2 and 3)	-	1,459,038
Participative loan (PPL)	-	521,293
Subordinated loan	-	31,126
Credit facilities, loans, finance leases and other	95,009	174,692
Loan arrangement costs	-	(67,814)
Total	**95,009**	**2,118,335**

To determine the fair value of the financial debt, and in accordance with IFRS 13, we used the Euribor curve and the discount factor supplied by the bank and the actual credit risk arising from a report provided by an independent expert regarding the transactions made in the secondary debt market once the refinancing process is completed (level 2 variables, estimates based on other observable market methods). Therefore, the fair value of the Group's financial debt amounts to EUR 1,958,281 thousand at June 30, 2015.

The following is a list of main borrowings and lines of credit with financial institutions:

Syndicated loan (Tranche 1)

In December 2013, within the context of the refinancing of its financial debt, Prisa signed a syndicated loan agreement with a group of 16 financial investors amounting to EUR 353,261 thousand, with a senior debt level higher than the remaining refinanced debt, which had been drawn down in its entirety. In accordance with the capitalization requirements of the Tranche 1 PIK, in 2014 a portion of the PIK was capitalized, thereby increasing debt EUR 18,524 thousand.

In May of 2015, Prisa paid off the entirely of Tranche 1 in the amount of EUR 385,542 thousand with a portion of the proceeds from the sale of 56% of the investment in DTS *(see note 2)*. This amount included accrued interest payable at the cancellation date, and the PIK capitalized in 2015 amounting to EUR 13,757 thousand.

Syndicated loan (Tranches 2 and 3)-

In December of 2013, against the backdrop of the refinancing of its financial debt, Prisa agreed to renew its syndicated loan, bridge loan, and credit lines totaling EUR 2,924,732 thousand. This renewal is structured into two tranches with the following characteristics:

- EUR 646,739 thousand (Tranche 2) with a long-term maturity (5 years), with a cost a cost linked to Euribor plus a margin negotiate with lenders; and

- EUR 2,277,993 thousand (Tranche 3) with a long-term maturity (6 years), the cost of which is a margin negotiated with lenders, as well as a fixed capitalized cost (PIK).

In accordance with the capitalization requirements of the Tranche 3 PIK, in 2014 debt was increased in the amount of EUR 34,957 thousand for this concept.

The refinancing agreement includes a series of debt-reduction commitments for the Tranche 3 debt: EUR 900,000 thousand in 2015, and EUR 600,000 thousand additional euros in 2016. To meet the payment terms outlined in the agreement, alternate options such as the sale of non-strategic assets, the repurchase of debt at a market discount rate, leveraging of operating assets, the transfer of debt from Trance 3 to Tranche 2, as well as other corporate transactions. The contract includes automatic mechanisms designed to block early termination under certain circumstances aimed at providing the Group's capital structure stability.

Thanks to Prisa's transactions during recent months (detailed below), at June 30, 2015 the Group met the first of its goals of reducing debt EUR 900,000 thousand in 2015. At the same date, another EUR 207,772 thousand were pending payment in order to meet the second Tranche 3 debt-reduction commitment foreseen for 2016 (EUR 600,000 thousand). The Group expects to pay off this amount with funds pending use arising from the sale of Mediaset España (EUR 69,534 thousand) and the collection of 80% of the initial sales price of the sale of DTS (EUR 84,228 thousand), as well as the collection of the remaining amount from the operation or other corporate transactions, such as the capital increase of EUR 75 million pending subscription at the time. Thus, next relevant financial commitment is therefore established for 2018, when Tranche 2 matures.

During 2014 and the first half of 2015, Prisa cancelled its Tranche 2 and 3 debt with credit institutions in the amount of EUR 982,454 thousand. The transactions which helped the Group meet its debt-reduction commitments follow:

- In 2014, Prisa repurchased debt at a market discount rate to partially cancel Tranche 3 in the amount of EUR 776,675 thousand with the proceeds from the following transactions:

    - Using the net funds arising from the sale of 13.68% of Mediaset España, Prisa agreed to repurchase EUR 643,542 thousand debt, with an average discount of 25.70%.

    - Using the amount arising from the Occher capital increase, EUR 133,133 thousand in debt were repurchased at a 25% discount.

- During the first six months of 2015, Prisa cancelled EUR 26,923 thousand of Tranche 2 debt, and EUR 178,856 thousand of Tranche 3 using amounts received as a result of the following transactions:

    - It the first half of 2015, with net funds arising from the sale of 3.63% of Mediaset España, Prisa repurchased debt at a discount totaling EUR 121,608 thousand (Tranche 2, amounting to EUR 26,923 thousand, and Tranche 3, in the amount of EUR 94,685 thousand) at an average discount of 22.35%.

  - o In June, 2015, a total of EUR 84,171 thousand of Tranche 3 were paid off using a portion of the amounts earned as a result of the sale of 56% of DTS.

- As stipulated in the refinancing agreement, the obligatory cancellation of the total of Tranche 1 using amounts arising from the DTS sale led to the transfer of EUR 336,696 thousand of Tranche 3 debt to Tranche 2 in June, 2015.

In addition, as discussed below, due to the Parent's equity arising from the sale of 56% of DTS, during September of 2014, and April of 2015, various processes for automatically converting Tranche 3 debt in a participating loan amounting to EUR 506,834 thousand and EUR 19,750 thousand, respectively were formalized, as reflected in the Company's refinancing agreement.

Once the above movements took place, the amounts included in Tranches 2 and 3 at June 30, 2015 amounted to EUR 956,512 thousand and EUR 502,526 thousand, respectively.

Participating Loan (PPL)-

During the month of June, 2014, due to Prisa's loss of EUR 750,383 thousand resulting from the agreement to sell 56% of DTS, the Company's equity was a negative EUR 593,513 thousand, and therefore, as stipulated by Capital Companies Law, was in a situation considered cause for dissolution.

In order to reestablish equity, the process for automatically converting part of Tranche 3 of the debt was automatically converted into participating loans; hence, on September 15, 2014, the process by which the debt was transformed in a participating loan amounting to EUR 506,834 thousand was formalized.

Due to the revised DTS sales price, and the recognition of an additional impairment of EUR 23,789 thousand, for the purpose of the dissolution and/or capital reduction set forth in Capital Companies Law (including participating loans in force at year end) amounted to EUR 31,554 thousand.

In order to reestablish equity, the automatic conversion of Tranche 3 of the company's debt in participating loans took place. Hence, on April 20, 2015, after the termination of transactions carried out until that date to reduce the amount as much as possible, a total of EUR 19,750 thousand of Tranche 3 was converted in participating loans.

At June 30, 2015, as a consequence of the losses registered, the parent's equity to be considered for the purpose of the dissolution amounts to EUR 119,635 thousand; this amount is below two-thirds of share capital, although it is above half of the share capital. Therefore, the Company is in a situation of economic imbalance. Directors estimate that equity of the Company will be reestablished within the legal deadline and consider, among other measures, debt buy backs at discount or other corporate transactions, such as the capital increase of EUR 75 million pending of subscription at the time.

The financial cost of the Participating Loan (PPL) is identical to Tranche 3. Company equity at June 30, 2015 was 521,293 thousand euros.

The financing contracts stipulate compliance with certain financial ratios. The Group's directors consider that these ratios were met at June 30, 2015.

The refinancing agreement includes early maturity causes which are typical in this type of contract, which includes acquiring control of Prisa: this is understood as one or several parties as a group owning over 30% of capital with voting rights.

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

Personal guarantees

Tranches 2, 3, and PPL of the Prisa debt corresponding to debt which was refinanced in December of 2013 are severally guaranteed by Grupo Bidasoa Press, S.L., Dédalo Grupo Gráfico, S.L., Diario El País, S.L., Distribuciones Aliadas, S.A., Grupo Empresarial de Medios Impresos, S.L., and Norprensa, S.A.

Apart from this guarantee which is common for both debt Tranches and PPL, Prisa Radio, S.A. and Vertix, SGPS, S.A. only guarantee the renewal of the Syndicated loan, Bridge loan, and lines of credit (Tranches 2, 3, and PPL), with the following limitations:

- The guarantee granted by Prisa Radio, S.A. will be limited to a maximum amount equal to the lesser of the following:
  - 1,314,706 thousand euros; and
  - 73.49% of equity at any given moment; and
- The guarantee granted by Vertix SGPS, S.A. will be limited to a maximum amount of 600,000 euros.

Guarantees

In December, 2013, resulting from a new syndicated loan which was repaid early in May, 2015, and the renewal of the remaining loans, Prisa pledged its shares in Prisa Radio, S.A. (73.49% of its share capital), DTS, Distribuidora de Televisión Digital, S.A. (56% of its share capital), Grupo Santillana de Ediciones, S.L. (75% of its share capital), and part of Prisa's investment in Mediaset España Comunicación, S.A. (14.29% of its share capital). Nonetheless, as a result of (i) the sale of the Mediaset España Comunicación, S.A. shares exercised in 2014 and 2015, and (ii) the sale of 56% of the share capital of DTS, Distribuidora de Televisión Digital, S.A. agreed upon on June 2, 2014 and carried out on April 30, 2015, once the suspensive conditions to which it was subject had been met, there were no further Mediaset shares pledged in favor of financial institutions, with the shares of DTS, Distribuidora de Televisión Digital, S.A. pledged in guarantee cancelled.

On the same date, Prisa pledged on certain owned bank accounts and, additionally, Bidasoa Press, S.L., Dédalo Grupo Gráfico, S.L. and Distribuciones Aliadas, S.A.constituted pledge on receivables related to certain material contracts to guaranty the said creditors.

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

Part of the Prisa investment in Grupo Media Capital SGPS, S.A. was also pledged (84.69% share capital), thereby insuring Tranches 2, 3, and PPL.

A pledge on certain properties and credit rights was also granted to the creditors of the financing granted to Dédalo Grupo Gráfico, S.L.

Other financial liabilities

At June 30, 2015, *"Other financial liabilities"* mainly include a financial liability of EUR 139,808 thousand for the obligation to pay preferential dividends in an annual minimum amount of 25.8 million dollars to DLJSAP Publishing Cööperatief, U.A. for its 25% equity stake in Grupo Santillana de Ediciones, S.L.

(11) LONG-TERM PROVISIONS

Long term provisions include provisions for taxes, related to the estimated amount of tax debts arising from the tax audit carried out at various Group companies and provisions for third-party liabilities, relate to the estimated amount required to meet possible claims and litigation brought against Group companies (*see note 19*). Also, it includes the negative net value in companies accounted for using the equity method.

(12) OPERATING INCOME AND EXPENSES

Operating income

At June 30, 2015, the breakdown of income from the Group's main business lines is as follows:

	Thousands of euros	
	06/30/2015	06/30/2014
Advertising sales and sponsorship	242,382	237,935
Sales of books and training	294,701	294,076
Newspaper and magazine sales	48,135	54,338
Sales of add-ons and collections	9,610	18,363
Sale of audiovisual rights and programs	11,372	11,099
Intermediation services	3,629	3,770
Other services	28,110	34,614
Revenue	**637,939**	**654,195**
Income from non-current assets	1,408	24,032
Other income	10,674	9,775
Other income	**12,082**	**33,807**
Total operating income	**650,021**	**688,002**

Staff

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

	06/30/15	06/30/14
Men	5,271	5,816
Women	4,496	5,060
Total	**9,767**	**10,876**

The average number of employees at June 30, 2015, included the average number of those of DTS to the date of sale, the April 30, 2015, (1,118 employees) *(see note 2)*. Meanwhile, the average number of employees at June 30, 2014 included DTS average number of employees (1,734 employees).

Outside services

The detail of *"Outside services"* for the six months ended June 30, 2015 and June 30, 2014 is as follows:

	Thousands of euros	
	06/30/15	06/30/14
Independent professional services	62,616	65,815
Leases and fees	26,598	27,348
Advertising	32,562	33,794
Intellectual property	16,636	20,140
Transport	17,794	23,682
Other outside services	96,514	93,414
Total	**252,720**	**264,193**

(13) FINANCIAL RESULT

	Thousands of euros	
	06/30/2015	06/30/2014
Income from current financial assets	24,898	887
Income from equity investments	97	39
Other finance income	26,062	47,953
Finance income	**51,057**	**48,879**
Interest on debt	(49,158)	(64,766)
Finance costs on hedging transactions	(706)	(591)
Adjustments for inflation	(479)	(1,589)
Other finance costs	(56,073)	(30,268)
Finance costs	**(106,416)**	**(97,214)**
Exchange gains	12,401	8,889
Exchange losses	(21,331)	(12,317)
Exchange differences (net)	**(8,930)**	**(3,428)**
Change in fair value of financial instruments	**839**	**849**
Financial loss	**(63,450)**	**(50,914)**

The *"Income from current financial assets"* mainly included the income generated for the sale of 3.63% of Mediaset España for an amount of EUR 23,964 thousand for the different between the sale price and the value of the stake sold in the moment of the lack of significant influence. In addition, the amount associated to de valuation as of December 31, 2014 of the sold stake has been offset in the line *"Other reserves"* in the consolidated balance sheet *(see note 5)*.

The *"Other finance income"* included capital gains on purchases of debt at a discount using the proceeds of the sale of Mediaset España in 2014 and 2015 *(see note 10)*.

The *"Other finance costs"* included the expenses involved in arrangements for debt accrued during the year. In 2015, it also included the prepayment fee of Tranche 1, amounting to EUR 11,509 thousand and the early cancellation of the remaining debt formalization costs associated to Tranche 1 for an amount of EUR 14,661 thousand.

(14) DISCONTINUED OPERATIONS

On June 30, 2014, the formalization of the agreement for the sale of 56% of DTS resulted into an accounting loss of EUR 2,064,921 thousand, registered under the line *"Loss after tax from discontinued operations"*.

On June 30, 2015, the execution of that agreement, there has not been a significant impact in the consolidated financial statement.

(15) BUSINESS SEGMENTS

The breakdown of the consolidated revenues of the Group based on the geographical location of the companies that gave rise to them is as follows:

	Thousands of euros	
	06/30/15	06/30/14
Internal market	238,582	254,368
Exports:	399,357	399,827
a) European Union	79,606	87,601
b) OECD countries	54,657	61,490
c) Other countries	265,094	250,736
Total	**637,939**	**654,195**

At June 30, 2015, Prisa's operations are divided into four main businesses:

- Audiovisual, which obtains revenue mainly from the broadcasting of advertising and audiovisual production of the Portuguese subsidiary Grupo Media Capital, SGPS, S.A.;
- Education, which includes primarily the sale of educational books and the services and materials related to the education systems;
- Radio, the main source of revenue from which is the broadcasting of advertising and, in addition, the organization and management of events and the provision of other supplementary services; and
- Press, which groups together mainly the activities relating to the sale of newspapers and magazines, advertising, promotions and printing.

Segment information about these businesses for the six months ended June 30, 2015 and June 30, 2014 is presented below (in thousands of euros):

	Ordinary revenue from external customers		Ordinary revenue between segments		Total ordinary revenue	
	06/30/15	06/30/14	06/30/15	06/30/14	06/30/15	06/30/14
Audiovisual	81,739	88,051	591	906	82,330	88,957
Education	299,413	323,136	865	1,287	300,278	324,423
Radio	146,795	140,465	3,286	3,428	150,081	143,893
Press	97,641	113,939	19,350	18,461	116,991	132,400
Other	24,433	22,411	3,001	6,274	27,434	28,685
(-) Adjustments and elimination of ordinary income between segments			(27,093)	(30,356)	(27,093)	(30,356)
Total	**650,021**	**688,002**	**-**	**-**	**650,021**	**688,002**

	Profit from operations	
	06/30/15	06/30/14
Audiovisual	7,355	7,093
Education	(7,155)	(1,139)
Radio	10,513	7,176
Press	(5,134)	(12,359)
Other	26,370	(2,202,927)
Total profit for the segments reported	**31,949**	**(2,202,156)**
(+/-) Elimination of internal profits (between segments)	(5,215)	33,602
(+/-) Income tax and/or profits from discontinued operations	(54,265)	2,128,198
Total profit before tax from continuing operations	**(27,531)**	**(40,356)**

	Assets	
	06/30/15	12/31/14
Audiovisual	328,518	332,042
Education	528,976	613,360
Radio	430,346	430,604
Press	175,288	185,720
Other	1,109,748	2,029,844
Total	**2,572,876**	**3,591,570**

(16) RELATED PARTY TRANSACTIONS

The transactions performed with related parties in the six months ended June 30, 2015 and in 2014 were as follows (in thousands of euros):

	06/30/2015			06/30/2014	
	Directors and executives	Group employees, companies or entities	Significant shareholders	Directors and executives	Group employees, companies or entities
Finance expenses	-	-	9,177	-	-
Services received	-	410	7,258	-	2,293
Leases	-	459	530	-	-
Purchase of goods	-	-	82	-	-
Other expenses	7,090	65	130	5,667	60
Total expenses	**7,090**	**934**	**17,177**	**5,667**	**2,353**
Finance income	-	54	-	-	57
Dividends received	-	5,632	-	-	-
Provision of services	-	1,410	3,869	-	13,117
Other revenue	-	-	1,041	-	215
Total revenue	**-**	**7,096**	**4,910**	**-**	**13,389**

All related party transactions have taken place under market conditions.

Transactions with directors and executives

The aggregate amount of EUR 7,090 thousand corresponded to the remuneration received by directors and executives as detailed in note 17.

Transactions between Group employees, companies or entities-

The aggregate amount of EUR 934 thousand is mainly included purchases of supplements from Ediciones Conelpa, S.L. until June 2015, when the company started to be fully consolidated.

The aggregate amount of EUR 5,632 thousand includes the dividends received by Sociedad Española de Radiodifusión, S.L. from its stake in Sistema Radiópolis, S.A. de C.V., through refunding capital.

Finally, the aggregate amount of EUR 1,410 thousand mainly includes the income received by Radio in Spain from provision of technical assistance and advisory services.

Transactions between with significant shareholders -

The aggregate amount of EUR 4,910 thousand mainly consists of income of Prisa Group companies for advertising services with Banco Santander, S.A., Caixabank, S.A. and Telefónica, S.A.

The aggregate amount of EUR 17,177 thousand mainly consists of expenditure on telephony and Internet by Prisa Group companies with Telefónica, S.A., and interest accruing on credits granted by major shareholders to Prisa Group companies.

The detail of other transactions performed with related parties in the six months ended June 30, 2015 and in 2014 is as follows (in thousands of euros):

	06/30/2015		06/30/2014
	Group employees, companies or entities	Significant shareholders	Group employees, companies or entities
Financing agreements: loans granted	14,691	-	24,303
Financing agreements: loans received	-	722,361	-
Guarantees provided	-	-	6,459
Guarantees and collateral received	-	8,181	-
Dividends and other distributed profits	-	-	-
Sale of financial assets	-	162,376	-
Other transactions	-	42	-

Transactions between Group employees, companies or entities-

The aggregate amount of EUR 14,691 thousand is mainly accounted for by the credit granted by Prisa Noticias, S.L. to Le Monde Libre Société en Commandite Simple, in the net amount of EUR 9,351 thousand, and the loans granted by Sociedad Española de Radiodifusión S.L. to Green Emerald Business Inc and W3 Comm Concesionaria, S.A. de C.V. in the amount of EUR 4,496 thousand.

Transactions with significant shareholders-

The aggregate amount of EUR 722,361 thousand is mainly accounted for the loans granted by Banco Santander, S.A., Caixabank, S.A. and HSBC Holding, PLC to Promotora de Informaciones, S.A. in the amount of EUR 696,733 thousand *(see note 10).*

Finally, the aggregate amount of EUR 162,376 thousand includes the estimate amount pending of collection from the sale of 56% of DTS to Telefónica *(see notes 2 and 5).*

(17) REMUNERATION AND OTHER BENEFITS OF BOARD MEMBERS AND DIRECTORS

In the six months ended June 30, 2015 and 2014, the consolidated companies registered the following amounts in respect of remuneration to Prisa's Board members and executives:

	Thousands of euros	
	06/30/15	**06/30/14**
Fixed remuneration	1,259	1,064
Variable remuneration	1,413	1,062
Attendance fees	203	265
Bylaw-stipulated directors' emoluments	683	639
Other	198	199
Total remuneration received by Board members	**3,756**	**3,229**
Total remuneration received by executives	**3,334**	**2,438**

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

Remuneration of the Directors:

Regarding the first half of 2015:

i) The overall compensation of the Board of Directors includes the remuneration of Mr. Fernando Abril-Martorell and Mr Emmanuel Roman, who ceased as directors in March 2015.

ii) Within the variable remuneration of directors, are included the following items:

- Annual variable compensation (bonus): reflection of the amount corresponding to theoretical annual variable compensation of the directors if management objectives are achieved. However, since this compensation is subject to achievement of the management objectives at the end of the year, 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.

- Variable multiyear incentive of the Executive Chairman, Mr Juan Luis Cebrian Echarri, which will be payable in shares of Prisa, in January 2016, subject to certain conditions: the above table includes the accounting expenses recorded in the income statement of the first half of 2015.

- Long-term variable remuneration of the executive director Mr. Jose Luis Sainz payable in shares of PRISA in 2017, subject to compliance with the strategic plans of the Company and their personal performance for the periods 2014-2016 in accordance with the provisions of his contract: the above table includes the accounting expenses recorded in the income statement of the first half of 2015.

- Long-term variable remuneration (long-term incentive) of the executive director Mr. Manuel Polanco Moreno, authorized by the Annual Shareholders' Meeting held on April 28, 2014, to be settled in the year 2017 into ordinary shares of the Company and cash, depending on their level of responsibility and contribution to the Group's results in variable remuneration linked to the fulfilment of long-term goals: the above table includes the accounting expenses recorded in the income statement of the first half of 2015.

iii) It is stated that, additionally, the Executive Chairman, Mr. Juan Luis Cebrián Echarri, is entitled, from 2014, to an annual contribution of EUR 1,200 thousand, as retirement bonus, which will be delivered to Mr. Cebrián in full at the end of his contract (31 December 2018), and will be vested even in the event of early termination of the contract. In 2014 the Company entered a provision covering the total amount of the retirement bonus (EUR 6,000 thousand) so it is not included in the table above.

iv) No other credits, advances or loans occurred, nor were pension obligations incurred, in respect of the Board of Directors during the first half of 2015.

Remuneration of Senior Management:

Regarding the first half of 2015:

i) 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 and, furthermore, the internal audit manager of Promotora de Informaciones, S.A. Specifically, it is that of the following executives: Mr. Javier Lázaro, Mr. Fernando Martinez Albacete, Mr. Antonio García-Mon, Ms. Bárbara Manrique de Lara, Mr. Antonio Alonso Salterain, Ms. Noelia Fernández Arroyo, Mr. Miguel Angel Cayuela Sebastián, Mr. Andrés Cardó Soria, Mr. Manuel Mirat Santiago, Ms. Rosa Cullel and Ms. Virginia Fernández.

Is also included within the total compensation of senior management that corresponding to Mr. Pedro García Guillén until the sale of DTS Distribuidora de Televisión Digital, SA, of which Mr. García Guillén was CEO, by Prisa to Telefónica de Contenidos, SAU, on April 30, 2015.

Likewise, is also included the remuneration of Mr. Antonio Alonso Salterain and Ms. Noelia Hernández Arroyo since their appointments as Revenue Officer and Managing Director of Business Development and Digital Transformation, respectively, in April 2015.

ii) The aggregated remuneration of senior management of Promotora de Informaciones, S.A. and other companies of its Group, during the first half of 2015, is the accounting reflection of the overall compensation and 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, 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.

- The accounting provision of long-term variable ILP approved by the Ordinary Shareholders' Meeting held on April 28, 2014, to be settled in the year 2017 into common shares of the Company and cash.

(18) GUARANTEE COMMITMENTS TO THIRD PARTIES

At June 30, 2015, Prisa had furnished bank guarantees amounting to EUR 97,811 thousand.

For this amount, EUR 50,000 thousand correspond to the litigation for football rights of Audiovisual Sport, S.L.

Additionally, in March 2014, Grupo Santillana de Ediciones, S.L. signed a guarantee with Banco ITAU in respect to the sale of the trade publishing business for an amount of EUR 14,964 thousand. This guarantee ensures the payment of any amount claimed under the agreement of the sale of Penguin Random House Grupo Editorial, S.A.

Also, in the first half of 2015, the guarantees in relation to the tax assessments for years 1999, 2000 and 2001 issued by the tax authorities that were signed on a contested basis for an amount of EUR 31,530 thousand, have been cancelled as a consequence of its payment *(see note 7).*

In respect of the guarantee in favour of Cisco Systems Capital Spain, S.L. for an amount of EUR 13,462 thousand, granted in June 2011 for the master lease agreement signed for this society and DTS to become the exclusive supplier of the set-top boxes Iplus. This guarantee has been cancelled in the first half of 2015 as a consequence of the sale of 56% of DTS *(see note 2)*.

The Company’s directors consider that the possible effect of the guarantees provided on the accompanying consolidated income statements would in no case be material.

(19) ONGOING LITIGATIONS AND CLAIMS

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

In that agreement, the parties agreed to provide AVS with all agreements governing the rights of various football Clubs for their joint exploitation by the latter company. In addition, it was also agreed to sell to Mediapro the rights for the exploitation of freeview television and the exploitation rights in international markets, as well as Mediapro's entry into AVS's share capital.

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

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

On 8 October 2007 Madrid Court of First Instance no. 36 granted the interim measures requested by AVS against Mediapro, holding that the First Division Clubs' rights relating to the 2007/2008 season to which the application for interim measures related belonged to AVS, and also resolving that "Mediapro be forbidden, during the 2007/08 football season, to make any disposal of exploitation of the audiovisual rights assigned to AVS, except for any legitimate use of said rights further to the legal relationship arising from the Agreement of 24 July 2006". In compliance with the said order, AVS submitted to the Court a guarantee for the sum of €50 million to secure compliance with its contractual obligations. The order of 8 October 2007 was revoked by the Provincial Court of Madrid in July 2008, and the above mentioned guarantee remains at the disposal of the Court of First Instance until the end of the proceedings for the settlement of damages, which are subject to the final resolution of the main proceedings.

In addition, in its judgment of 15 March 2010, the Court fully upheld the claim filed by AV, dismissing the counter-claim brought by Mediapro against AVS, Prisa and TVC. In its judgment, the Court ordered Mediapro to pay AVS more than €95 million by way of outstanding amounts owed to AVS under the provisions of the agreement of 24 July 2006, as well as by way of damages arising from the above mentioned breaches. The judgment also ordered Mediapro to provide AVS with the contracts concluded by the latter with the football clubs and to inform them of the assignment of those contracts in favour of AVS.

Mediapro appealed against this judgment (*recurso de apelación*), and AVS requested its provisional enforcement on 9 June 2010. In an order issued on 21 June 2010, the Court dispatched the enforcement requested, although the enforcement was suspended following the application and subsequent declaration of Mediapro's bankruptcy, which is being dealt with by Barcelona Commercial Court number 7 (bankruptcy number 497/2010).

In a ruling dated 14 November 2012, the Provincial Court of Madrid essentially confirmed the lower court's judgment, finding in favour of Mediapro's appeal only with regard to the length of the contract of 24 July 2006, which it declared terminated at the end of the 2008/2009 season.

AVS filed an appeal to the highest instance (The Supreme Court) and alleging a procedural infringement against the said judgment. The Supreme Court, in its judgment dated 9 January 2015, partially admits the first argument of the Meadiapro appeal for procedural infringement and condemns Mediapro to pay AVS €32 million plus interests. The judgment enters into the question not solved in the Provincial Court of Madrid in relation to the claim of nullity of the clause fifth of the Agreement dated 24 July 2006. The Supreme Court declares that the ruling of the *Audiencia Nacional* dated 22 May 2013, which is firm and confirms the Ruling of the CNC dated 14 April 2010 that declares the nullity of the clause fifth of the Agreement dated 24 July 2006, is contrary to article 1 of the LDC. The consequence is the entire nullity of the Agreement. Moreover, the ruling extends the effects of such nullity to the clause fifth of the Agreement, since all clauses of the agreement tried to restring the competition.

On the other hand, the contract for the sale of shares concluded between the member Televisió de Catalunya Multimedia, S.L., Televisió de Catalunya, S.A., Prisa and AVS on 15 October 2009 also provided for the abandonment of all ongoing court cases in which any of these companies or their legal representatives were parties as defendants. At present, the said contract is still awaiting the authorisation of the *Generalitat de Catalunya* Government, as its effectiveness was made subject to such authorisation.

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

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

(20) EVENTS AFTER THE BALANCE SHEET DATE

At July 20, 2015, Prisa agreed to buy back a total of EUR 90,422 thousand of debt, at an average discount of € 0.12 per euro (i.e., at an average price of 88%), and a total discount of EUR 10,851 thousand.

The funds used in this auction arise from the sales of shares of Mediaset España and DTS, completed during the last months *(see notes 2 and 10).*

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

Consolidated Directors' Report for the six months ended June 30, 2015

PROMOTORA DE INFORMACIONES, S.A. (PRISA)

AND SUBSIDIARIES

CONDENSED CONSOLIDATED DIRECTOR'S REPORT FOR THE SIX MONTHS ENDED JUNE 30, 2015

1. BUSINESS PERFORMANCE

The **most significant events** in the period from January to June 2015 were as follows:

- Group **operating income** in 2015 amounted to EUR 650.0 million (-5.5%) and **EBITDA** to EUR 85.2 million (-3.6%).

- **Advertising revenue** totaled EUR 242.4 million (+1.9%).

  Advertising revenue in Spain grew by 4.4% compared to the same period of the previous year (5.7% adjusted by extraordinary effects).

  Radio in Spain grew by 8.9% increasing in both local (+10.1%), and national (+4.5%) advertising.

  Press consolidated the change in trend, growing in the first six months of 2015 by 0.7% (+3.6% adjusted; -3.6% offline; +22% online).

  In Portugal, Media Capital advertising revenues stayed almost flat (+0.4%); (TVI -0.1% y Radio +8.5%)

- **Latin America and the US** represented 50.0% of revenues and almost all the EBITDA.

  In Education, South Area campaigns have favorably developed, showing a solid performance: revenues grew by 18.0%.

  In Radio Latam, revenues decreased by 1.2% in the first half of 2015. Weakness in Chile and Colombia continued (although it was moderated in the second quarter of the year), although it was offset by the favorable evolution in Argentina.

  Exchange rates evolution throughout the year had a positive impact of EUR 9.3 million on revenues, and of EUR 10.3 million on EBITDA. This impact will revert to the end of the year if current exchange rates are hold.

- **Digital transformation revenues** increase by 13.1% to reach EUR 94.3 million.

  Digital education systems (UNO y Compartir) continued their development in Latin America reaching 815,212 students.

  Digital advertising grew by 15% during the first half of the year.

In the press division, digital advertising already represents 35.1% of advertising revenues.

Average unique browsers to the Group's web sites grow by 39% reaching more than 118 million

- **Operating expenses and capex control** continued**.**

  Operating expenses have fallen meaningfully in Press and Media Capital, while increases in cost in Education and Radio are revenue related increases.

  Capex has been reviewed to channel resources to growth areas, mainly in Santillana. During the first semester of the year investments amounted to EUR 31.9 million compared to EUR 35.9 million in the same period of 2014.

- **Deleveraging and reinforcement of the capital structure**.

  DTS sale operation was closed on April 30, 2015 and EUR 470 million were cancelled with part of these proceeds.

  Additionally, EUR 122 million of debt were cancelled with an average 22%discount with funds coming from Mediaset Spain stake sale.

  As of June 30, 2015, EUR 154 million were available to discount debt buyback.

  Total Group net debt was reduced by EUR 681 million (adjusted by the estimated receivable of the sale of DTS pending of collection) to reach EUR 1,901 million as of June 30, 2015, compared to EUR 2,582 million as of December 31, 2014.

  In addition, during its meeting held on February 27, 2015 and to reinforce its capital structure, Prisa's Board of Directors approved a capital increase of EUR 75 million, which is pending of subscription at the time.

- In **Education**, operating revenues reached EUR 300.3 million (+4.1%). EBITDA reached EUR 64.4 million (+4.0%). Exchange rates had a positive contribution of EUR 8.6 million in revenues and of EUR 10.7 million in EBITDA. This impact will revert by year end if current exchange rates are maintained.

  All the South educational campaigns were closed in the first six months of 2015: Brazil, Colombia, Costa Rica, Central North America, Uruguay, Chile, Bolivia, Argentina, Paraguay, Peru and Ecuador. These campaigns mostly shew a good performance in local currency. It is worth highlighting Brazil, which had a growth of 7.2% in local currency, and Argentina which showed an important growth of 77% in local currency.

  North area campaigns (Spain, Mexico, Venezuela and Brazil institutional sales), take place during the second half of the year, and therefore the figures for the first six months collected practically expenditures for promotion and marketing of campaigns with practically no income. In Spain there have been delays with respect to the previous year because of the difficulties in the implementation of the new educational reform. Despite these delays, the campaign shows good prospects and their results will impact positively on the annual closure.

Digital education systems continued their development in Latin America, significantly improving their profitability. UNO reached EBITDA of EUR 6.6 million.

- In **Radio**, operating revenues reached EUR 150.1 million (+4.3%). EBITDA reached EUR 19.1 million (-7.5%).

  Advertising in Spain grew by 8.9% despite the effect in 2014 of the World Cup.

  It is to highlight the operational improvement in Spain, which increased its EBITDA by 46.0% to reach EUR 7.3 million.

  Advertising in Latam was weakened by Chile and Colombia performance, offset by a good evolution in Argentina.

  In 2015 the cost control efforts continued. However costs increased during the first half of the year as a result of new programming promotion and costs related to increase in revenues (+5% adjusted).

- In **Press**, operating revenues reached EUR 117.0 million (-11.6%).

  Advertising revenues maintained (+0.7%) (El País +2.7%, AS -1.3%). Traditional advertising fell by -7.8% which was offset by the good performance of the digital advertising growth of 22% (representing 35% of the total advertising revenue of the division already).

- In **Media Capital**, operating revenues reached EUR 82.3 million (-7.5%). EBITDA reached EUR 16.4 million (-10.3%). Advertising Revenues increased by 0.4% (TV, -0.1%; Radio, +8.5%).

2. PRINCIPAL RISKS ASSOCIATED WITH THE BUSINESS

The activities of the subsidiaries of the Group and therefore its operations and results are subject to risks that can be grouped into the following categories:

- Strategic and operational risks.
- Financial risks.

Strategic and operational risks of the business of the Group

Macroeconomic risks-

In 2014, growth rates in Spain and Portugal were positive. After the important slowdown and volatility experienced in recent years, from year-end 2013, a change in this trend was shown and was consolidated in 2014. 2015 is also expected to have positive growth rates.

Main consumption indicators in these countries have been significantly deteriorated, and have impacted and still could impact, in case expectations of growth are not attained, in the future spending by customers on the products and services of the Group, including advertisers and other consumers of the content offerings of Prisa.

Furthermore, the activities and investments of Prisa in Latin America are exposed to the evolution of the various macroeconomic parameters of each country including a potential decline in consumption as a result of a slowdown in the growth rate in some of these countries, with expectations of recession in economies as Brazil.

The Group's results in Latin America have been hurt by the weakness of the region's currencies since mid-2013, which eased starting in the second quarter of 2014. During the first six months of 2015, exchange rates have had a positive contribution is most of the countries in which the Group operates, although this trend is expected to be neutralized by year end.

Decline in advertising markets-

A relevant portion of the operating income (revenues) comes from advertising revenues through the press, radio, audiovisual and digital businesses. Expenditures by advertisers tend to be cyclical, reflecting overall economic conditions and perspectives.

In case that the Spanish and Portuguese economies failure to improve as expected or growth in Latin America slow down or even decline in some countries, prospective spending by the Group's advertisers could undermine. In view of the grate component of fixed costs associated with business with a high component of advertising revenue (mainly Radio and Press), a drop in advertising revenues directly impacts operating profit and therefore the ability to generate cash flow of the Group, forcing business units to perform reviews and adjustments in its cost base.

Drop of circulation-

Press revenues from copy sales and subscriptions continue being negatively affected by the growth of alternative means of distribution, including free Internet sites for news and other contents. At the moment, there is no sign of this trend to change.

Competition risk-

The businesses of audiovisual, education, radio and press in which Prisa operates are highly competitive industries. The ability to anticipate and adapt to new needs and customer demands, influences the position of the Group's businesses compared to other competitors.

Sector regulation-

Prisa operates in regulated industries and is therefore exposed to regulatory and administrative risks that could adversely impact its business.

Specifically, the Group businesses are subject to comprehensive regulations including the requirement to maintain concessions and licenses for the operations in Audiovisual and Radio segments, while the business of education is subject to the applicable law on national or regional education cycles.

Country risk-

The Group operations and investments in Latin America may be affected by various risks typical to investments in countries with emerging economies, the most significant of which include devaluation of foreign currencies, introduction of exchange restrictions, inflation, expropriation or nationalization of foreign assets, changes in applicable foreign tax levels, changes in policies and regulations or economic instability.

Litigation risks-

Prisa is involved in significant litigations, which are described in the accompanying notes. Additionally, Prisa is exposed to liabilities for the content of their publications and programs.

Resolution of litigations related to DTS, whose sale was executed on April 2015, could result in a future adjustment on the final price of the sale purchase agreement or in a future obligation to indemnify *(see note 2 in the accompanying explanatory notes)*.

Piracy-

Revenue from the exploitation of content and royalties owned by the Group are affected by illicit access to them via the internet or copy, which primarily affects book publishing.

Digital activity and safety net systems-

Digital activities depend on internet service providers, online service providers and on systems infrastructure. Significant system failures or security breaches could have an adverse effect on operating results and financial condition of the Group.

Technological risks-

In order to maintain and increase its businesses and competitiveness, Prisa must adapt to technological advances, for which research and development are key factors. Technological changes may facilitate the entry of new competitors and potential market share decrease of the Group.

Financial Risks

Financing risks -

The financial obligations of the Group are described in note 10 "*Financial Liabilities*" "*Financial Liabilities*" of the accompanying Prisa explanatory notes.

As is described in that note, in the month of December of 2013 the Group signed a debt refinancing agreement which represents an extension of maturities, improving the flexibility in the process of debt reduction and enhancing its liquidity profile.

The improvement in the liquidity profile was derived from a new credit facility amounting of EUR 353 million signed with certain institutional investors to cover medium term liquidity needs, from the significant reduction of interests paid in cash. This credit facility has been cancelled in May, 2015, with the proceeds coming from the sale of the 56% stake in DTS.

The refinancing agreement included several commitments of debt reduction, for which compliance the Group has different alternatives including the sale of non-strategic assets, repurchase debt at a discount in the market, the leverage of operating assets, transfers debt between tranches and other corporate transactions. The contract contains automatic mechanisms that prevent its early termination, in certain situations, in case of such commitments are not met, which gives stability to the capital structure of the Group.

As of June, 2015, the EUR 900 million commitment of Tranche 3 debt reduction established for 2015 has been complied with, as described in the accompanying explanatory notes.

The sum remaining to meet the commitment to reduce Tranche 3 debt for 2016 (EUR 600 million) stood at EUR 208 million. The Parent Company could cancel this sum with the proceeds pending of utilization coming from the sales of Mediaset España and from the initial 80% receivable of the sale of DTS, and also from the receipt of the remaining amount of the operation of sale of DTS and other corporate transactions, such as the EUR 75 million of capital increase pending subscription at the time. Therefore, the next relevant debt reduction commitment is established for 2018, where Tranche 2 of debt matures.

According to the contracts governing borrowing conditions and stipulated requirements, Prisa must meet certain commitments and financial leverage ratios (covenants). These contracts also include cross-default disposals.

As of June 30, 2015, the high levels of the Group bank debt (EUR 2,213 million), imply certain risks:

- increasing the vulnerability to general economic downturns and adverse industry conditions;
- requiring a portion of cash flow from operations to be dedicated to the payment of interest on the indebtedness, therefore reducing the ability to use cash flow to fund short term operations, working capital requirements, capital expenditures and future business operations;
- exposing the Group to the risk of increased interest rates, as a part of the borrowings are at variable rates of interest; and
- limiting the ability to adjust to changing market conditions and placing the Group at a disadvantage compared to competitors who have less debt.

Equity situation of the parent company of the Group-

In June 2014, as a result of the loss of EUR 750,383 thousand recognised by the Parent Company of the Group following the sale of a 56% stake in DTS, equity was negative in the amount of EUR 593,513 thousand, and therefore the Parent Company qualified for dissolution in accordance with Spain's Corporate Enterprises Act.

In order to restore the equity balance, the mechanism was used to automatically convert part of Tranche 3 of the company's debt into participating loans for a sufficient amount to offset the negative equity.

During this period, the Company repurchased debt at a discount using the proceeds of the Occher share capital increase and the sale of 10.0% of Mediaset España, which reduced the amount of the participating loan required to restore the balance of equity.

The process to convert debt into the participating loan was carried out on 15 September, in the amount of EUR 506,834 thousand, which included the impact of the transactions and the operating results up to the date of conversion. This brought the Company's equity to two thirds of share capital.

At 31 December 2014, as a result of, among other items, a review of the sale price of DTS and recognition of additional impairment of EUR 23,789 thousand, the equity of the Company with respect to the cause of dissolution and/or reduction of capital stipulated in Spain's Corporate Enterprises Act (including participating loans outstanding at year-end) stood at EUR 31,554 thousand.

In a bid to restore the equity balance, the automatic mechanism was again deployed to convert Tranche 3 of company debt into participating loans in a sufficient amount to offset the equity imbalance at the conversion date. Consequently, at 20 April 2015, an additional amount of EUR 19,750 thousands of Tranche 3 was converted into participative loan, once operations aiming at minimizing that amount were considered.

At 30 June 2015, as a consequence of the losses registered, the equity of the Company with respect to the cause of dissolution stood at EUR 119,635 thousand, which was under two thirds of share capital, but above half of share capital, and thus in an equity imbalance situation. Directors estimate that equity of the Company will be reestablished within the legal deadline and consider, among other measures, debt buy backs at discount or other corporate transactions, such as the capital increase of EUR 75 million pending of subscription at the time.

Sale of DTS-

As described in the accompanying explanatory notes, at April 30, 2015, Prisa executed with Telefónica de Contenidos, S.A.U. the sale and purchase agreement of the 56% shares of DTS for an initial purchase price of EUR 706,812 thousands. Prisa has received from Telefónica the initial payment of the 80% of the price (EUR 565,450 thousands) and the 20% of that amount is still pending of collection.

Depending on the amount finally received by DTS from Mediapro, as a result of the award issued in the framework of the legal procedure called by DTS against Mediapro and the review of the adjustments foreseen in the agreement, the final purchase price will be adjusted.

Liquidity Risk-

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

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

Additionally, the group analyzes on a recurrent basis other financing sources to cover short and medium term liquidity needs.

Minority interests -

There are significant minority interests in some cash generating companies, to highlight education and radio. Santillana is required to pay to its minority interests (25% of its share capital) a predetermined fixed preferred dividend.

Interest rates risk exposure-

Approximately 53.75% of its bank borrowings terms are at variable interest rates, and therefore the Group is exposed to fluctuations in interest rates. Consequently, in order to reduce its exposure, the Group arranges interest rate hedges to the extent there are undrawn credit facilities.

Fluctuations in foreign exchange rates-

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

In order to mitigate this risk, as far as there are available credit facilities, the Group arranges hedges to cover the risk of changes in exchange rates (mainly foreign currency hedges and forwards) on the basis of projections and budgets which are reviewed on a monthly basis, in order to reduce volatility in cash flows transferred to the Parent from foreign subsidiaries.

Tax risks-

Tax risks of the Group are related to a possible different interpretation of the rules that could make the competent tax authorities. Directors consider probable the recoverability of the tax assets within the legal deadline, although there is a risk that the ability to generate taxable income would not be sufficient to allow the recoverability of the tax credits arising from carry forward of tax losses, the limitation of the deductibility of interest and depreciation expenses and tax deductions.

3. OUTLOOK

The media industry is highly sensitive to trends in the main macroeconomic variables (i.e. GDP), consumption and, especially, the advertising cycle.

Spanish and Portuguese advertising market grew in 2014. The pace of decline in Spain slowed from the second quarter of 2013 and 2014 ended with an overall growth of 5.0%, according to a report by i2P. Accordingly, 2014 marked the first year of any meaningful growth in advertising spend since 2008. The same source (i2P) estimates further growth of 6.6% in 2015, with increases in almost all sectors. The Portuguese advertising market also rebounded in 2014 (9.5%) and it is expected to grow by 3.7% in 2015 (source: Zenith Optimedia).

The activities and investments of Prisa in Latin America are exposed to the evolution of the various macroeconomic parameters of each country including a potential decline in consumption as a result of a slowdown in the growth rate in some of these countries, with expectations of recession in economies as Brazil. Recently, World Bank reduced expectations of growth in the region to 0.4%, what means that activity will stagnate before growing to 2% in 2016 and 2.7% in 2017.

The Group's results in Latin America have been hurt by the weakness of the region's currencies since mid-2013, which eased starting in the second quarter of 2014. During the first six months of 2015, exchange rates have had a positive contribution is most of the countries in which the Group operates, although this trend is expected to be neutralized by year end if current exchange rates are hold.

Despite the Prisa Group's limited exposure to the performance of the advertising market given its diversified revenue mix (advertising revenues represented 37.3% of the total in the first six months of 2015), those businesses that rely heavily on advertising show a higher percentage of fixed costs. Therefore, declines in advertising revenue for these companies have major implications for their earnings, leading to an erosion of the Group's margins and to deterioration in its cash position.

In Spain, the Group's advertising revenues grew by 4.4% in the first half of 2015 (5.7% adjusted by extraordinary items). In Portugal, where advertising recovery started in second half of 2013, revenues increased by 0.5%.

In the first half of 2015 Latin America and the US represented 50.0% of revenues and almost all the EBITDA.

Prisa has other, less cyclical businesses that still show scope for growth, especially in Latin America. One example is Education, which contributed 46.2% of the Group's total revenues and 75.7% of its EBITDA in the first half of 2015. Latin America revenues increased by 14.7% in the period (+9.8% assuming constant exchange rates). Efforts in the publishing business remain focused on expanding the digital education systems, above all in Mexico, Colombia and Brazil, whose revenues and EBITDA grew in the first half of 2015. Campaigns in the South area, which were closed during the first semester, had a positive performance, highlighting Brazil and Argentina. In Spain there have been delays with respect to the previous year because of the difficulties in the implementation of the new educational reform. Despite these delays, the campaign shows good prospects and their results will impact positively on the annual closure.

Regarding Radio operations in Latin America, Chile and Colombia showed some weakness although during the month of June this trend started to change slightly. Various cost control measures started to be implemented to compensate this behavior.

Digital audience numbers rose sharply (118.1 million unique browsers at end-June 2015, up 39.0% from the previous period. Going forward, 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.

Digital advertising revenues rose by 15% in the first half of 2015, with Press increasing its share of total advertising revenues to 35.1% (from 29.9% in June 2014).

The Group aimed within this environment to minimize opex and use the resources freed up for growth businesses, such as Santillana, maintaining a strict cost-control policy and adapting productive structures to revenue performance in order to maintain the liquidity and profitability of the businesses.

Additionally, the Group also continues to focus on executing its refinancing plan. During the first half of 2015, Prisa executed with Telefónica de Contenidos, S.A.U. the sale and purchase agreement of the shares of DTS. With the proceeds obtained to date from this operation, as well as those obtained from the sale of almost all of the shares of Mediaset España and from the capital increase subscribed by Occher, the Group has reduced its debt by EUR 1,368 million during 2014 and in the first half of 2015, largely through debt buy backs at a discount. Additionally, in order to reinforce the capital structure, the Board of Director of Prisa held on February 27, 2015 approved a capital increase for a total amount of EUR 75 million, pending of subscription at the time.