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

Consolidated Financial Statements and Consolidated Directors' Report for 2015, together with Auditors' Report

*Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with IFRSs as adopted by the European Union (see Notes 2 and 28). In the event of a discrepancy, the Spanish-language version prevails.*

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

# INDEPENDENT AUDITOR'S REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

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

## Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Promotora de Informaciones, S.A. ("the Parent") and subsidiaries ("the Group"), which comprise the consolidated balance sheet as at 31 December 2015, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and notes to the consolidated financial statements for the year then ended.

### *Directors' responsibility for the consolidated financial statements*

The Parent's directors are responsible for preparing the accompanying consolidated financial statements so that they present fairly the consolidated equity, consolidated financial position and consolidated results of Promotora de Informaciones, S.A. and subsidiaries in accordance with International Financial Reporting Standards as adopted by the European Union and the other provisions of the regulatory financial reporting framework applicable to the Group in Spain (identified in Note 2.a to the accompanying consolidated financial statements) and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the audit regulations in force in Spain. Those regulations require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation by the Parent's directors of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

*Opinion*

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects the consolidated equity and consolidated financial position of Promotora de Informaciones, S.A. and subsidiaries as at 31 December 2015, and their consolidated results and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the other provisions of the regulatory financial reporting framework applicable to the Group in Spain.

**Report on other legal and regulatory requirements**

The accompanying consolidated directors' report for 2015 contains the explanations which the Parent's directors consider appropriate about the situation of Promotora de Informaciones, S.A. and subsidiaries, the evolution of their business and other matters, but is not an integral part of the consolidated financial statements. We have checked that the accounting information in the consolidated directors' report is consistent with that contained in the consolidated financial statements for 2015. Our work as auditors was confined to checking the 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.

DELOITTE, S.L.

Registered in ROAC under no. S0692

Fernando García Beato

February 26, 2016

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

Consolidated Financial Statements for 2015 prepared in accordance with International Financial Reporting Standards as adopted by the European Union, together with Consolidated Directors' Report for 2015

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

Consolidated Financial Statements for 2015 prepared in accordance with International Financial Reporting Standards as adopted by the European Union

**PROMOTORA DE INFORMACIONES, S.A. AND SUBSIDIARIES**
**CONSOLIDATED BALANCE SHEET AT DECEMBER 31, 2015**
**(Thousands of euros)**

| ASSETS | Notes | 12.31.2015 | 12.31.2014 |
|---|---|---|---|
| **A) NON-CURRENT ASSETS** | | **1,336,733** | **1,536,749** |
| I. PROPERTY, PLANT AND EQUIPMENT | 5 | 127,866 | 142,684 |
| II. GOODWILL | 6 | 577,298 | 599,958 |
| III. INTANGIBLE ASSETS | 7 | 129,051 | 137,198 |
| IV. NON-CURRENT FINANCIAL ASSETS | 12a | 30,904 | 185,647 |
| V. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD | 8 | 42,841 | 46,085 |
| VI. DEFERRED TAX ASSETS | 19 | 425,218 | 421,346 |
| VII. OTHER NON-CURRENT ASSETS | | 3,555 | 3,831 |
| **B) CURRENT ASSETS** | | **1,026,659** | **2,054,821** |
| I. INVENTORIES | 9a | 153,521 | 159,242 |
| II. TRADE AND OTHER RECEIVABLES | | | |
| 1. Trade receivables for sales and services | 9b | 434,224 | 458,607 |
| 2. Receivable from associates | | 3,763 | 3,579 |
| 3. Receivable from public authorities | 19 | 34,274 | 32,453 |
| 4. Other receivables | | 34,927 | 69,025 |
| 5. Allowances | 9b | (67,551) | (67,212) |
| | | 439,637 | 496,452 |
| III. CURRENT FINANCIAL ASSETS | 12a | 114,453 | 127,886 |
| IV. CASH AND CASH EQUIVALENTS | 9c | 319,001 | 152,431 |
| VI. ASSETS CLASSIFIED AS HELD FOR SALE | 10 | 47 | 1,118,810 |
| **TOTAL ASSETS** | | **2,363,392** | **3,591,570** |

| EQUITY AND LIABILITIES | Notes | 12.31.2015 | 12.31.2014 |
|---|---|---|---|
| **A) EQUITY** | **11** | **(394,587)** | **(617,771)** |
| I. SHARE CAPITAL | | 235,008 | 215,808 |
| II. OTHER RESERVES | | (800,689) | 80,955 |
| III. ACCUMULATED PROFIT | | 144,206 | (765,239) |
| - From prior years | | 138,912 | 1,471,593 |
| - For the year: Profit attributable to the Parent | | 5,294 | (2,236,832) |
| IV. TREASURY SHARES | | (2,386) | (3,116) |
| V. EXCHANGE DIFFERENCES | | (37,662) | (4,842) |
| VI. NON- CONTROLLING INTERESTS | | 66,936 | (141,337) |
| **B) NON-CURRENT LIABILITIES** | | **2,176,489** | **2,984,524** |
| I. NON-CURRENT BANK BORROWINGS | 12b | 1,907,758 | 2,645,505 |
| II. NON-CURRENT FINANCIAL LIABILITIES | 12b | 131,822 | 118,364 |
| III. DEFERRED TAX LIABILITIES | 19 | 36,452 | 60,013 |
| IV. LONG-TERM PROVISIONS | 13 | 59,746 | 115,964 |
| V. OTHER NON-CURRENT LIABILITIES | 25 | 40,711 | 44,678 |
| **C) CURRENT LIABILITIES** | | **581,490** | **1,224,817** |
| I. TRADE PAYABLES | 25 | 296,062 | 317,521 |
| II. PAYABLE TO ASSOCIATES | | 2,893 | 2,008 |
| III. OTHER NON-TRADE PAYABLES | 9d | 65,737 | 67,200 |
| IV. CURRENT BANK BORROWINGS | 12b | 100,765 | 108,756 |
| V. CURRENT FINANCIAL LIABILITIES | 12b | 23,117 | 914 |
| VI. PAYABLE TO PUBLIC AUTHORITIES | 19 | 62,623 | 57,314 |
| VII. PROVISIONS FOR RETURNS | | 7,511 | 6,945 |
| VIII. OTHER CURRENT LIABILITIES | 9e | 22,782 | 45,681 |
| IX. NON-CURRENT LIABILITIES HELD FOR SALE | 10 | - | 618,478 |
| **TOTAL EQUITY AND LIABILITIES** | | **2,363,392** | **3,591,570** |

The accompanying Notes 1 to 28 and Appendix I and II are an integral part of the consolidated balance sheet at December 31, 2015.

# PROMOTORA DE INFORMACIONES, S.A. AND SUBSIDIARIES
## CONSOLIDATED INCOME STATEMENT FOR 2015
## (Thousands of euros)

| | Notas | 12.31.2015 | 12.31.2014 |
|---|---|---|---|
| Revenue | | 1,348,006 | 1,408,215 |
| Other income | | 26,056 | 46,513 |
| OPERATING INCOME | 14 | 1,374,062 | 1,454,728 |
| Cost of materials used | | (212,779) | (260,580) |
| Staff costs | 15 | (412,773) | (433,242) |
| Depreciation and amortisation charge | 5-7 | (90,611) | (102,537) |
| Outside services | 15 | (499,574) | (576,652) |
| Change in allowances, write-downs and provisions | 15 | (34,412) | (19,788) |
| Impairment of goodwill | 6 | (390) | (7,046) |
| Other expenses | | (2,695) | (26,163) |
| OPERATING EXPENSES | | (1,253,234) | (1,426,008) |
| PROFIT FROM OPERATIONS | | 120,828 | 28,720 |
| Finance income | | 74,120 | 210,890 |
| Finance costs | | (170,600) | (236,551) |
| Changes in value of financial instruments | | 884 | 1,874 |
| Exchange differences (net) | | (13,209) | (15,277) |
| FINANCIAL LOSS | 16 | (108,805) | (39,064) |
| Result of companies accounted for using the equity method | 8 | 4,155 | 36,173 |
| Loss from other investments | | 0 | (134) |
| PROFIT BEFORE TAX FROM CONTINUING OPERATIONS | | 16,178 | 25,695 |
| Expense tax | 19 | 25,323 | (132,607) |
| PROFIT FROM CONTINUING OPERATIONS | | 41,501 | (106,912) |
| Loss after tax from discontinued operations | 17 | (2,684) | (2,203,004) |
| CONSOLIDATED PROFIT FOR THE YEAR | | 38,817 | (2,309,916) |
| Profit attributable to non-controlling interests | 11j | (33,523) | 73,084 |
| PROFIT ATTRIBUTABLE TO THE PARENT | | 5,294 | (2,236,832) |
| BASIC EARNINGS PER SHARE (in euros) | 21 | 0.07 | (41.63) |
| BASIC EARNINGS PER SHARE (in euros) | 21 | 0.07 | - |
| - Basic earnings per share from continuing activities (in euros) | 21 | 0.11 | (0.63) |
| - Basic earnings per share from discontinuing activities (in euros) | 21 | (0.04) | (41.00) |

The accompanying Notes 1 to 28 and Appendix I and II are an integral part of the consolidated income statement for 2015.

# PROMOTORA DE INFORMACIONES, S.A. AND SUBSIDIARIES
# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR 2015
## (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 | Equity |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Balance at December 31, 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 (Note 11a y 11b)* | 110,542 | 505,281 | | | | | | | 615,823 | | 615,823 |
| *Conversion of financial liabiities into equity (Note 12b)* | | 41,575 | | | | | | | 41,575 | | 41,575 |
| *Issuance of equity instruments (Note 11a)* | | | (81,158) | | | | | | (81,158) | | (81,158) |
| *Conversion of financial instruments into equity (Note 11a)* | | | (434,000) | | | | | | (434,000) | | (434,000) |
| *Treasury share transactions (Note 11g)* | | | | | | | | | | | |
| *- Delivery of treasury shares* | | | | | | 2,500 | | | 2,500 | | 2,500 |
| *- Purchase of treasury shares* | | | | | | (4,935) | | | (4,935) | | (4,935) |
| *- Reserves for treasury shares* | | | 163 | | | (163) | | | | | |
| *Distribution of 2013 results* | | | | | | | | | | | |
| *- Reserves* | | | (596,555) | | (52,150) | | | 648,705 | | | |
| *Income and expense recognised in equity* | | | | | | | | | | | |
| *- Translation differences ( Note 11i)* | | | | | (10,322) | | 7,609 | | (2,713) | 531 | (2,182) |
| *- Result for 2014* | | | | | | | | (2,236,832) | (2,236,832) | (73,084) | (2,309,916) |
| *- Measurement of financial instruments (Note 12a)* | | | 11,762 | | | | | | 11,762 | | 11,762 |
| *Other* | | | (262) | | 5,263 | | | | 5,001 | (6,152) | (1,151) |
| *Changes in non controlling interest (Note 11j)* | | | | | | | | | | | |
| *- Dividends paid during the year* | | | | | | | | | | (25,384) | (25,384) |
| *- Due to changes in scope of consolidation* | | | | | | | | | | (31) | (31) |
| **Balance at December 31, 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)** |
| *Capital increases (Note 11a y 11b)* | 19,200 | 42,628 | | | | | | | 61,828 | | 61,828 |
| *Treasury share transactions (Note 11f)* | | | | | | | | | | | |
| *- Delivery of treasury shares* | | | | | | 2,977 | | | 2,977 | | 2,977 |
| *- Purchase of treasury shares* | | | | | | (2,485) | | | (2,485) | | (2,485) |
| *- Reserves for treasury shares* | | | (238) | | | 238 | | | | | |
| *Distribution of 2014 results* | | | | | | | | | | | |
| *- Reserves* | | | (912,712) | | (1,324,120) | | | 2,236,832 | | | |
| *Income and expense recognised in equity* | | | | | | | | | | | |
| *- Translation differences ( Note 11h)* | | | | | (11,736) | | (32,820) | | (44,556) | (17,332) | (61,888) |
| *- Result for 2015* | | | | | | | | 5,294 | 5,294 | 33,523 | 38,817 |
| *- Measurement of financial instruments (Note 12a)* | | | (11,705) | | | | | | (11,705) | | (11,705) |
| *Other* | | | 383 | | 3,175 | | | | 3,558 | 1,953 | 5,511 |
| *Changes in non controlling interest (Note 11i)* | | | | | | | | | | | |
| *- Dividends paid during the year* | | | | | | | | | | (28,186) | (28,186) |
| *- Due to changes in scope of consolidation* | | | | | | | | | | 218,315 | 218,315 |
| **Balance at December 31, 2015** | **235,008** | **1,371,299** | **(2,099,327)** | **(72,661)** | **138,912** | **(2,386)** | **(37,662)** | **5,294** | **(461,523)** | **66,936** | **(394,587)** |

The accompanying Notes 1 to 28 and Appendix I and II are an integral part of the consolidated statement of changes in equity for 2015.

# PROMOTORA DE INFORMACIONES, S.A. AND SUBSIDIARIES
# CONSOLIDATE STATEMENT OF COMPREHENSIVE INCOME FOR 2015
## (Thousands of euros)

| | 12.31.2015 | 12.31.2014 |
|---|---|---|
| CONSOLIDATED PROFIT FOR THE YEAR | 38,817 | (2,309,916) |
| **Income and expense recognized directly in equity** | **(61,919)** | **9,580** |
| **Translation differences** | **(61,888)** | **(2,182)** |
| **Measurement of financial instruments** | **(43)** | **16,336** |
| Financial assets available for sale | (43) | 16,336 |
| **Tax effect** | **12** | **(4,574)** |
| **Entities accounted for using the equity method** | **(2,477)** | **-** |
| **Transfers to the income statement** | **(11,674)** | **-** |
| **Translation differences** | **-** | **-** |
| **Measurement of financial instruments** | **(16,214)** | **-** |
| Financial assets available for sale | (16,214) | - |
| **Tax effect** | **4,540** | **-** |
| **TOTAL RECOGNIZED INCOME AND EXPENSE** | **(34,776)** | **(2,300,336)** |
| Attributable to the Parent | (50,967) | (2,227,783) |
| Attributable to non-controlling interests | 16,191 | (72,553) |

The accompanying Notes 1 to 28 and Appendix I and II are an integral part of the consolidated statement of comprehensive income for 2015.

# PROMOTORA DE INFORMACIONES, S.A. AND SUBSIDIARIES
## CONSOLIDATED STATEMENT OF CASH FLOWS FOR 2015
### (Thousands of euros)

| | 12.31.2015 | 12.31.2014 |
|---|---|---|
| **PROFIT BEFORE TAX FROM CONTINUING OPERATIONS** | **16,178** | **25,695** |
| Depreciation and amortisation charge and provisions | 127,585 | 154,663 |
| **Changes in working capital** | **(45,140)** | **(25,612)** |
| Inventories | 5,720 | 13,392 |
| Accounts receivable | 4,443 | 403,245 |
| Accounts payable | (55,303) | (447,498) |
| Other current assets | 0 | 5,249 |
| Income tax recovered (paid) | (36,755) | (33,635) |
| **Other profit adjustments** | **106,202** | **(15,209)** |
| Financial results | 108,805 | 39,064 |
| Gains and losses on disposal of assets | (4,107) | (21,605) |
| Other adjustments | 1,504 | (32,668) |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | **168,070** | **105,902** |
| **Recurrent investments** | **(80,469)** | **(74,111)** |
| Investments in intangible assets | (52,811) | (50,822) |
| Investments in property, plant and equipment | (27,658) | (23,289) |
| Investments in non-current financial assets | (8,743) | (9,656) |
| Proceeds from disposals | 893,739 | 550,172 |
| Investments in non-current financial assets | 8,238 | 1,650 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | **812,765** | **468,055** |
| Proceeds and payments relating to equity instruments | 59,154 | 100,305 |
| Proceeds relating to financial liability instruments | 59,423 | 61,124 |
| Payments relating to financial liability instruments | (845,687) | (605,497) |
| Dividends and returns on other equity instruments paid | (4,289) | (25,753) |
| Interest paid | (49,367) | (50,232) |
| Other cash flow from financing activities | (12,492) | (21,731) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | **(793,258)** | **(541,784)** |
| Effect of foreign exchange rate changes | (21,007) | (15,824) |
| **CHANGE IN CASH FLOWS FROM CONTINUING OPERATIONS** | **166,570** | **16,349** |
| Cash flows from operating activities from discontinued operations | - | (116,883) |
| Cash flows from investing activities from discontinued operations | - | (43,333) |
| Cash flows from financing activities from discontinued operations | - | 158,140 |
| Effect of foreign exchange rate changes from discontinued operations | - | (1,135) |
| **CHANGE IN CASH FLOWS FROM DISCONTINUED OPERATIONS** | **-** | **(3,211)** |
| **CHANGE IN CASH FLOWS IN THE YEAR** | **166,570** | **13,138** |
| **Cash and cash equivalents at beginning of year** | **152,431** | **139,293** |
| - Cash | 57,333 | 129,645 |
| - Cash equivalents | 95,098 | 9,648 |
| **Cash and cash equivalents at end of period** | **319,001** | **152,431** |
| - Cash | 301,129 | 57,333 |
| - Cash equivalents | 17,872 | 95,098 |

The accompanying Notes 1 to 28 and Appendix I and II are an integral part of the consolidated statement of cash flows for 2015.

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

Notes to the Consolidated Financial Statement for 2015 prepared in accordance with International Financial Reporting Standards as adopted by the European Union

*Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with IFRSs as adopted by the European Union (see notes 2 and 28). In the event of a discrepancy, the Spanish-language version prevails.*

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

CONSOLIDATED FINANCIAL STATEMENT FOR 2015

## (1) GROUP ACTIVITIES AND PERFORMANCE

### a) Group activities

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

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

The consolidated financial statements for 2014 were approved by the shareholders at the Annual General Meeting held on April 20, 2015.

The Group's consolidated financial statements for 2015 were authorized for issue by the Company's directors on February 26, 2016.

These consolidated financial statements are presented in thousands of euros as this is the currency of the main economic area in which the Group operates. Foreign operations are accounted for in accordance with the policies described in Note 2e.

Shares of Prisa are admitted to trading on continuous market of the Spanish Stock Exchanges (Madrid, Barcelona, Bilbao and Valencia), and until September 22, 2014, on the New York Stock Exchange.

**b) Evolution of the financial structure of the Group**

In December 2013, the Group signed an agreement to refinance its financial debt which involved maturity date extensions; greater flexibility in the process of debt reduction and an improvement in its liquidity profile (*see note 12b)*.

This improvement in its liquidity profile was the result of obtaining an additional credit line arranged with certain institutional investors which was provided in full and cancelled in 2015 using part of the funds from the sale of 56% of DTS, Distribuidora de Televisión Digital, S.A. ("DTS") *(see notes 3 and 12b)*.

The refinancing agreement included a series of commitments to reduce Tranche 3 debt for 2015 and 2016 which, at December 31, 2015, have been fulfilled in advance, in such a way that the next relevant financial commitment is to fall due in 2018, when Tranche 2 falls due (*see note 12b*).

In 2014 and 2015, the company paid off a total of EUR 1,610,590 thousand using the following transactions:

- EUR 844,166 thousand with the proceeds from the sale of 17.3% de Mediaset España Comunicación, S.A. ("Mediaset España"). In 2014, 13.68% of the company was sold and debt of EUR 643,542 thousand was paid off, with an average discount of 25.7%, and in 2015 an additional 3.63% of the company was sold, cancelling EUR 200,624 thousand of debt with an average discount of 18.3%.

- EUR 621,779 thousand, with part of the funds obtained through the settlement of the sale of 56% of DTS in 2015. Of the total cancelled debt, EUR 385,542 thousand corresponded to the credit line obtained in 2013. In accordance with the refinancing contract, debt of EUR 96,686 thousand was cancelled at an average discount of 12.9% along with EUR 139,551 thousand at par value.

- EUR 133,133 thousand, with the funds obtained from the increase in capital subscribed by Consorcio Transportista Occher, S.A. de C.V. ("Occher") in 2014, at a discount of 25%.

- EUR 11,512 thousand with funds from the sale of the trade publishing business in 2014.

During 2015, the Group continued to strengthen its capital structure by increasing the capital subscribed and fully paid up by International Media Group S.à.r.l., in an amount of EUR 64,000 thousand.

This transaction made a significant contribution to re-establishing Prisa's equity on December 31, 2015, which had in the past been affected by losses from registering the sales agreement of 56% of DTS which automatically converted Tranche 3 debt into participating loans, as shown in the Group's financing agreements (*see note 12b*).

At December 31, 2015, the equity of the parent company with respect to the cause of dissolution and/or reduction of capital stipulated in Spain's Corporate Enterprises Act (including participating loans outstanding at year end) stood at EUR 166,886 thousand, more than two thirds of total share capital.

In addition, in January 2016, Prisa arrived at an agreement to issue bonds mandatorily convertible into ordinary shares through swapping the financial debt in a minimum of EUR 100,185 thousand, for which there is an irrevocable commitment to subscribe, and a maximum of EUR 150,000 thousand (*see note 27*).

This agreement is subject to the approval of the Annual General Meeting, and to obtaining certification issued as a special report for the Company's Auditor pursuant to the Corporate Enterprises Act and the mandatory report from an Auditor other than the company Auditor and appointed for that purpose by the Registry of Companies and the provision that there should be no material change in the financial situation of Prisa nor any suspension of or material change in the company's share price. The approval from company's creditors under existing financial commitments was obtained as of February, 2016.

In 2016, Prisa also continued with its debt reduction process, having agreed in February to repurchase a total of EUR 65,945 thousand of debt, using for this purpose funds from the sale of shares in DTS, with a discount of 16.02% (*see note 27*).

## (2) BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

### a) Application of International Financial Reporting Standards (IFRSs)

The Group's consolidated financial statements were 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.

In accordance with IFRSs, the following should be noted in connection with the scope of application of International Financial Reporting Standards and the preparation of these consolidated financial statements of the Group:

- 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 IFRSs, these consolidated financial statements include the following consolidated statements of the Group:

  - Consolidated balance sheet
  - Consolidated income statement

- Consolidated statement of comprehensive income
- Consolidated statement of changes in equity
- Consolidated statement of cash flows

• As required by IAS 8, uniform accounting policies and measurement bases were applied by the Group for all transactions, events and items in 2015 and 2014.

In 2015, the following amendment to accounting standard came into force which, therefore, was taken into account when preparing the accompanying consolidated financial statements:

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

The application of these amendments and interpretations did not have a significant impact on the Group's consolidated financial statements for this year.

At December 31, 2015, the Prisa Group had not applied the following standards or interpretations issued, since the effective application thereof was required subsequent to that date or they have not been adopted by the European Union.

| **Standards, amendments, and interpretations** | | **Mandatory application for financial years beginning on or after** |
|---|---|---|
| **Approved for use in the EU** | | |
| Amendments to IAS 19 | Defined Benefit Plans | February 1, 2015 (1) |
| Annual improvements to IFRS Cycle 2010-2012 | Minor amendments to a number of standards. | February 1, 2015 (1) |
| Amendments to IAS 16 and 38 | Clarification of acceptable methods of depreciation and amortisation | January 1, 2016 |
| Amendments to IFRS 11 | Accounting for acquisitions of interests in joint operations | January 1, 2016 |
| Amendments to IAS 16 and 41 | Bearer Plants | January 1, 2016 |
| Annual improvements to IFRS Cycle 2012-2014 | Minor amendments to a number of standards. | January 1, 2016 |
| Amendments to IAS 27 | Equity method in separate financial statements | January 1, 2016 |
| Amendments to IAS 1 | Disclosure initiative | January 1, 2016 |
| **Not yet approved for use in the EU** | | |
| IFRIC 15 | Agreements for the construction of real estate | January 1, 2018 (2) |
| IFRIC 9 | Financial instruments | January 1, 2018 |
| IFRIC 16 | Leases | January 1, 2019 |
| Annual improvements to IFRS 10, IFRS 12 and IAS 28 | Investment entities | January 1, 2016 |
| Amendments to IAS 12 | Recognition of deferred taxes | January 1, 2017 |
| Amendments to IAS 7 | Disclosure initiative | January 1, 2017 |

(1) The date of entry into force IASB of these rules was July 1, 2014.

(2) The date of entry into force IASB of this standard has been postponed from 1 January 2017 to 1 January 2018.

All the accounting principles and measurement bases with a material effect on the consolidated financial statements were applied.

As of the date of preparation of these annual accounts, the Group's directors are analysing the requirements and future impact of adopting IFRS 15 "*Recognition of revenue*" and IFRS 9 "*Financial instruments*", without it being possible at this time to make a reasonable assessment of the effect until this analysis has been completed. Furthermore, they are assessing the potential impact of the future application of the rest of the standards on the Group's consolidated financial statements.

**b) Fair presentation and accounting principles**

The consolidated financial statements were obtained from the separate financial statements of Prisa and its subsidiaries and, accordingly, they present fairly the Group's equity and financial position at December 31, 2015, and the results of its operations, the changes in equity and the cash flows in the year then ended. The Group prepared its financial statements on a going concern basis. Also, with the exception of the consolidated statement of cash flows, these consolidated financial statements were prepared in accordance with the accrual basis of accounting.

Given that the accounting policies and measurement bases applied in preparing the Group's consolidated financial statements for 2015 may differ from those applied by some of the Group companies, the necessary adjustments and reclassifications were made on consolidation to unify these policies and bases and to make them compliant with IFRSs as adopted by the European Union.

**c) Responsibility for the information and use of estimates**

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

In the consolidated financial statements for 2015 estimates were occasionally made by executives of the Group and of the entities in order to quantify certain of the assets, liabilities and obligations reported herein. These estimates relate basically to the following:

- The measurement of assets and goodwill to determine the possible existence of impairment losses *(see notes 4f and 4d).*
- The useful life of property, plant, and equipment, and intangible assets *(see notes 4b and 4e).*
- The hypotheses used to calculate the fair value of financial instruments *(see note 4g).*
- The assessment of the likelihood and amount of undetermined or contingent liabilities.
- Estimated sales returns received after the end of the reporting period.
- Provisions for unissued and outstanding invoices;
- The estimates made for the determination of future commitments.

- The recoverability of deferred tax assets *(see note 19)*.

Although these estimates were made on the basis of the best information available at the date of preparation of these consolidated financial statements on the events analysed, it is possible that figures in the future differed materially from estimates and assumptions used. In this case, the effects in the corresponding consolidated income statements for future periods, as well as in assets and liabilities, would be recognized.

In 2015, there were no significant changes in the accounting estimates made at the end of 2014.

**d) Comparison of the information**

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 December 31, 2014 has been restated for purposes of comparison.

**e) Basis of consolidation**

The consolidation methods applied were as follows:

*Full consolidation-*

Subsidiaries are accounted for using the equity method, and all their assets, liabilities, income, expenses and cash flows are included in the consolidated financial statements after the necessary adjustments and eliminations have been carried out. Subsidiaries are companies over which the parent company exercises control, i.e. it has the power to direct their financial and operating policies, it is exposed or is entitled to variable earnings or has the ability to influence their earnings. Subsidiaries accounted for using the equity method are listed in Appendix I.

The results of subsidiaries which are acquired or sold during the year are included in the consolidated income statement from the effective date of acquisition or until the effective date of disposal, as appropriate.

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values. Any excess of the cost of the subsidiary's acquisition over the Parent Company's share of the net fair value of its assets and liabilities is recognized as goodwill. Any deficiency is credited to the consolidated income statement.

The share of third parties of the equity of Group companies is presented under *"Equity – Non-controlling interests"* in the consolidated balance sheet and their share of the profit for the year is presented under *"Profit attributable to non-controlling interests"* in the consolidated income statement.

The interest of non-controlling shareholders is stated at those shareholders' proportion of the fair values of the assets and liabilities recognized.

All balances and transactions between the fully consolidated companies were eliminated on consolidation.

*Equity method-*

Associates are accounted for using the equity method. Associates are companies in which Prisa holds direct or indirect ownership interests of between 20% and 50%, or even if the percentage of ownership does not reach those levels, it has significant influence over their management.

This method was also applied to joint ventures, considered as arrangements whereby the parties that exercise joint control over the company are entitled to its net assets on the basis of the arrangement. Joint control is the sharing of control that is contractually decided and set out in an agreement, which exists only when decisions concerning major operations require the unanimous consent of the parties that share control.

The companies accounted for using the equity method are listed in Appendices I and II, together with their main financial aggregates.

Under the equity method, investments are recognized in the balance sheet at the Group's share of net assets of the investee, adjusted, if appropriate, for the effect of transactions performed with the Group, plus any unrealized gains relating to the goodwill paid on the acquisition of the company.

Dividends received from these companies are recognized as a reduction in the value of the Group's investment. The Group's share of the profit or loss of these companies is included, net of the related tax effect, in the consolidated income statement under *"Result of companies accounted for using the equity method."*

*Other matters -*

The items in the balance sheets of the foreign companies included in the scope of consolidation were translated to euros using the closing rate method, i.e. all assets, rights and obligations were translated at the exchange rates prevailing at the end of the reporting period. Income statement items were translated at the average exchange rates for the year. The difference between the value of the equity translated at historical exchange rates and the net equity position resulting from the translation of the other items as indicated above is recognized under "*Equity– Exchange differences*" in the accompanying consolidated balance sheet.

Balances and transactions in currencies of hyperinflationary economies are translated at the closing exchange rate after adjusting the effects of changes in prices according to local regulations. At December 31, 2015, the only country in which the Group operates that pursuant to IAS 21 could be considered to be a hyperinflationary economy is Venezuela.

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 December, 2015 was the one of the new legislation. This change has meant a reduction in equity of the Group of approximately EUR 16 million, recognized under "*Accumulated profit*" for translation differences.

The operations and investments in Latin America may be affected by various risks typical of investments in countries with emerging economies, such as currency devaluation, inflation, restrictions on the movement of capital. Specifically, in Venezuela the movement of funds is affected by complex administrative procedures, expropriation or nationalization, tax changes , changes in policies and regulations or unstable situations.

In keeping with standard practice, these consolidated financial statements do not include the tax effect of transferring to Prisa's accounts the accumulated reserves and retained earnings of the other consolidated companies, since it is considered that these balances will be used as equity by said companies.

The data relating to Sociedad Española de Radiodifusión, S.L., Prisa Radio, S.A., Santillana Educación Global, S.L., Prisa Brand Solutions, S.L.U., Dédalo Grupo Gráfico, S.L., Promotora de Emisoras de Televisión, S.A., Gran Vía Musical de Ediciones, S.L., Grupo Latino de Radiodifusión Chile, Ltda., Sistema Radiópolis, S.A. de C.V., Grupo Media Capital SGPS, S.A. and Antena 3 de Radio, S.A. contained in these notes were obtained from their respective consolidated financial statements.

## (3) CHANGES IN THE GROUP STRUCTURE

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

**Subsidiaries**

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

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

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

On April 30, 2015, once Prisa had fulfilled the conditions precedent by which it was bound, it implemented the purchase agreement for the shares of DTS, with Telefónica de Contenidos, S.A.U. which had been signed on June 2, 2014, whereby Prisa transferred to Telefónica its entire shareholding which represented 56% of the company's capital.

Prisa has registered the sale of DTS for an amount of EUR 724,554 thousand, of which at December 31, 2015 has received a total of EUR 688,211 thousand (EUR 565,450 thousand in May and additional EUR 122,761 thousands in November).

In the purchase agreement, the parties agreed that the final price of the transaction would be reviewed in the light of two adjustments for which two settlement procedures submitted to independent third parties were agreed, for amount of EUR 36,343 thousand. The amount to be received is recognized at December 31, 2015 under "*Current bank borrowings*" on the consolidated balance sheet (*see note 12a*).

In February 2016, the first of these adjustments was settled in favour of the company, which led to a price which was higher by EUR 7,170 thousand. The Directors, in light of the information that they have at this time, are of the view that the adjustment pending, for amount of EUR 29,173 thousand, will be settled in Prisa's favour.

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

In June 2015, Ediciones El País, S.L. acquired 50% of Ediciones Conelpa, S.L. thereby owning 100% of the company. This company ceased to be consolidated by the equity method and became fully consolidated. After the subsequent transfer of the investment to Promotora General de Revistas, S.A., in December 2015, Ediciones Conelpa, S.L. merged with Promotora General de Revistas, S.A.

In July 2015, Prisa Audiovisual, S.L.U. was created, 100% owned by Promotora de Informaciones, S.A.

In August 2015, Vanguardia Educativa Santillana Compartir, S. A. de C. V. was created, 70% owned by Editorial Santillana, S.A. de C.V. with the remaining 30% owned by Lanza, S.A. de C.V.

In October 2015, Diario AS USA, Inc., was created, 100% owned by Diario AS, S.L.

Also, in October 2015, GLR Midi France, S.A.R.L., a company 40% owned by Sociedad Española de Radiodifusión, S.L. and 20% by Prisa División Internacional, S.L., was dissolved.

In November 2015, Noticias AS México, S.A. de C.V. was created, 99% owned by Diario AS, S.L. and 1% owned by Prisa Noticias, S.L.

In December 2015, Prisa Producciones de Vídeo, S.L. was created, 100% owned by Prisa Audiovisual, S.L.U. and Diario El País Colombia, S.A.S., a company 100% owned by Diario El País, S.L.

Also in December 2015, Radio Regional de Lisboa – Emissões de Radiodifusão, S.A. acquired 100% of Notimaia – Publicações e Comunicações, S.A., likewise Radio Comercial, S.A. acquired 100% of COCO – Companhia de Comunicação, S.A.

Additionally, in December 2015, Canal 4 Navarra, S.L.U., TV Local Eivissa, S.L.U. and Promoción de Actividades Audiovisuales en Canarias, S.A.U. merged with Promotora de Emisoras de Televisión, S.A. and Axarquía Visión, S.A.U. and Marbella Digital, S.A.U. were liquidated.

**Associates**

In January 2015, Plural Entertainment España, S.L. sold 19% of its holding in the capital of Plural Jempsa, S.L.

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

In November 2015, My Major Company Spain, S.L., was dissolved, 50% owned by Gran Vía Musical de Ediciones, S.L.

When comparing the information for 2015 and 2014, these changes, the effect of which is presented separately in these notes to the consolidated financial statements in the *"Changes in the consolidation scope"* column, should be taken into account.

## (4) ACCOUNTING POLICIES

The principal accounting policies used in preparing the accompanying consolidated financial statements for 2015 and comparative information were as follows:

### a) Presentation of the consolidated financial statements

In accordance with IAS 1, the Group opted to present the assets in its consolidated balance sheet on the basis of a current/non-current assets distinction. Also, income and expenses are presented in the consolidated income statement according to the nature of the related item. The statement of cash flows was prepared using the indirect method.

### b) Property, plant, and equipment

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

Property, plant and equipment acquired prior to December 31, 1983, are carried at cost, revalued pursuant to applicable legislation. Subsequent additions are stated at cost, revalued pursuant to Royal Decree-Law 7/1996 in the case of Agrupación de Servicios de Internet y Prensa, S.L., Pressprint, S.L.U. and Sociedad Española de Radiodifusión, S.L.

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

Period upkeep and maintenance expenses are charged directly to the consolidated income statement.

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

| | Years of estimated useful life |
|---|---|
| Buildings and structures | 10 - 50 |
| Plant and machinery | 5 – 10 |
| Other items of property, plant and equipment | 4 – 10 |

The gain or loss arising on the disposal or derecognition of an asset is determined as the difference between the selling price and the carrying amount of the asset and is recognized in the consolidated income statement.

**c) Finance leases**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Items of property, plant and equipment held under finance lease are recognized in the balance sheet according to the nature of the leased asset. A liability is recognized simultaneously for the same amount, which is the lower of the fair value of the leased asset or the sum of the present values of the lease payables and, where appropriate, the price of any purchase option.

The finance charge on these leases is allocated to the income statement so as to produce a constant periodic rate of interest over the lease term.

Assets held under finance leases are depreciated over the same estimated useful life as owned assets.

**d) Goodwill**

Any excess of the cost of the investments in the consolidated companies over the corresponding underlying carrying amounts at the date of acquisition or at the date of first time consolidation, provided that the acquisition is not after control is obtained, is allocated as follows:

- If it is attributable to specific assets and liabilities of the companies acquired, by increasing the value of the assets whose market values were higher than the carrying amounts at which they had been recognized in their balance sheets and whose accounting treatment was similar to that of the same assets of the Group.
- If it is attributable to non-contingent liabilities, by recognizing it in the consolidated balance sheet if it is probable that the outflow of resources to settle the obligation embody economic benefits and the fair value can be measured reliably.
- If it is attributable to specific intangible assets, by recognizing it explicitly in the consolidated balance sheet provided that the fair value at the date of acquisition can be measured reliably.
- The remaining amount is recognized as goodwill.

Changes in ownership interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. Once control is obtained, additional investments in subsidiaries and decreases in ownership interest without the loss of control do not affect the amount of goodwill. When a parent loses control of a subsidiary, it derecognizes the carrying amount of assets (including any goodwill) and liabilities and the share of non-controlling interests, recognizing the fair value of the consideration received and any residual ownership in the subsidiary. The remaining difference is taken to profit or loss in the income statement for the year.

The assets and liabilities acquired are measured provisionally at the acquisition date, and the provisional amounts are reviewed within a period of a year from the acquisition date. Therefore, until the definitive fair value of the assets and liabilities has been established, the difference between the acquisition cost and the carrying amount of the company acquired is provisionally recognized as goodwill.

Goodwill is considered to be an asset of the company acquired and, therefore, in the case of a subsidiary with a functional currency other than the euro, it is valued in that subsidiary's functional currency and is translated to euros using the exchange rate prevailing at the balance sheet date.

Goodwill acquired on or after January 1, 2004 is measured at acquisition cost and that acquired earlier is recognized at the carrying amount at December 31, 2003, in accordance with Spanish GAAP. In both cases, since January 1, 2004, goodwill has not been amortized and at the end of each reporting period goodwill is reviewed for impairment (i.e. a reduction in its recoverable amount to below its carrying amount) and any impairment loss is recognized *(see note 4f)*.

**e) Intangible assets**

The main items included under *"Intangible assets"* and the measurement bases used were as follows:

*Computer software-*

*"Computer software"* includes the amounts paid to develop specific computer programs or the amounts incurred in acquiring from third parties the licenses to use programs. Computer software is amortized, depending on the type of program or development during the period in which contribute to the generation of profits.

*Prototypes-*

This account includes basically prototypes for the publication of books, which are measured at the costs incurred in materials and work performed by third parties to obtain the physical medium required for industrial mass reproduction. The prototypes are amortized using the straight-line method over three years from the date on which they are launched on the market, in the case of textbooks and languages, atlases, dictionaries encyclopaedias and major works. The cost of the prototypes of books that are not expected to be published is charged to the income statement for the year in which the decision not to publish is taken.

*Advances on copyrights-*

This account includes the advances to authors, whether or not paid on account of future rights or royalties for the right to use the different forms of intellectual property. These advances are taken to expenses in the income statement from the date on which the book is launched on the market, at the rate established in each contract, which is applied to the book cover price. These items are presented in the balance sheet at cost, less the portion charged to income. This cost is reviewed each year and, where necessary, an allowance is recognized based on the projected sales of the related publication.

*Audiovisual rights-*

*"Audiovisual rights"* in the accompanying consolidated balance sheet includes the amount paid for the acquisition of allowance of films, series and children's animation and documentaries amount whose programming is expected to take place in a period exceeding twelve months. These rights are depreciated according to the generation of revenues derived from them. They are reported to its expected recoverable.

*Other intangible assets-*

*"Other intangible assets"* includes basically the amounts paid to acquire administrative concessions for the operation of radio frequencies, which are subject to temporary administrative concessions. These concessions are granted for renewable multi-years periods, in accordance with regulations of each country, and are amortized using the straight-line method over the term of the arrangement, except in cases where the renewal costs are not significant, in which case they are deemed to be assets with an indefinite useful life.

**f) Impairment losses**

Annually, at the end of each fiscal year and, when ever, there is evidence of impairment, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets might have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the amount of the impairment loss (if any). In the case of identifiable assets that do not generate cash flows that are largely independent of those from other assets or groups of assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Cash-generating units to which goodwill has been assigned and intangible assets with an indefinite useful life are systematically tested for impairment at the end of each reporting period or when the circumstances so warrant.

Recoverable amount is the higher of fair value less costs to sell and value in use. Value in use is taken to be the present value of the estimated future cash flows to derive from the asset based on most recent budgets approved by management. These budgets include the best estimates available of the income and costs of the cash-generating units based on industry projections and future expectations.

These projections cover the following five years and include a residual value that is appropriate for each business. These cash flows are discounted to their present value at a rate that reflects the weighted average cost of capital employed adjusted by the country risk and business risk corresponding to each cash-generating unit. Therefore, in 2015 the rates used ranged from 7.5% to 16.7% depending on the business being analysed. The range used for the most relevant impairment test (Grupo Media Capital, SGPS, S.A.) is around 10%.

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

In case the goodwill of a company with minority interests was fully recognized in the consolidated financial statements of the parent company, the assignment of the corresponding impairment between the parent company and the minority interests is made in accordance with their participation in the profit and losses of the company, that means in accordance with the participation in the share capital of the company.

Impairment losses recognized on an asset in previous years are reversed when there is a change in the estimate of its recoverable amount by increasing the carrying amount of the asset up to the limit of the carrying amount that would have been determined had no impairment loss been recognized for the asset. The reversal of the impairment loss is recognized immediately as income in the consolidated income statement. An impairment loss recognized for goodwill must not be reversed.

**g) Financial instruments**

*Non-current financial assets-*

*"Non-current financial assets"* includes the following categories:

- *Loans and receivables:* this includes financial assets originating from the sale of goods or from the provision of services during the company's traffic operations or those that, not having have any commercial substance, are not equity instruments or derivatives and have fixed or determinable payments and are not traded in an active market. These assets are recognized at amortized cost, i.e. cash delivered less principal repayments, plus accrued interest receivable, in the case of loans, and the present value of the related consideration in the case of receivables. The Group records the related allowance for the difference between the recoverable amount of the receivables and their carrying amount.

- *Held-to-maturity investments:* financial assets with fixed or determinable payments and established maturities for which the Group has the intention and ability to hold to maturity. They are carried at amortized cost.

- *Available-for-sale financial assets:* this category includes the remaining assets not included in the two categories above. These are almost entirely equity investments. These assets are carried on the consolidated balance sheet at fair value when this can be measured reliably, recorded in equity resulting from changes in fair value. In this sense, impairment is assumed if the share price of the asset suffers a decline of more than 40% or if it declines for a long time with no recovery of its value. If the market value of investments in unlisted companies cannot be determined reliably, which is generally the case, these investments are measured at acquisition cost or at a lower amount if there is any indication of impairment.

*Cash and cash equivalents-*

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

*Financial liabilities-*

1. Financial liabilities

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

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

2. Compound financial instruments

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

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

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

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

*Derivative financial instruments and hedge accounting-*

The Group is exposed to fluctuations in the exchange rates of the various countries in which it operates. In order to mitigate this risk, foreign currency hedges are used, on the basis of its projections and budgets, when the market outlook so requires.

Similarly, the Group is exposed to foreign currency risk as a result of potential fluctuations in the various currencies in which its bank borrowings and debts to third parties are denominated. Accordingly, it uses hedging instruments for transactions of this nature when they are material and the market outlook so requires.

The Group is also exposed to interest rate risk since all of its bank borrowings bear interest at floating rates. In this regard, the Group arranges interest rate hedges, basically through contracts providing for interest rate caps.

Pursuant to IFRSs, changes in the value of these financial instruments are recognized as finance income or finance costs, since by their nature they do not qualify for hedge accounting under IFRSs.

For instruments settled at a variable amount of shares or in cash, the Company recognizes a derivative financial liability when measuring these financial instruments using the Black - Scholes model.

**h) Investments accounted for using the equity method**

As discussed in *note 2e*, investments in companies over which the Group has significant influence or joint control are accounted for using the equity method. The goodwill arising on the acquisition of these companies is also included under this heading.

Investments in companies accounted for using the equity method whose carrying amount is negative at the end of the reporting period are recognized under *"Long- term provisions" (see notes 8 and 13)* at their negative excluding the financial effect given the nature of the investments.

**i) Inventories**

Inventories of raw materials and supplies and inventories of commercial products or finished goods purchased from third parties are measured at the lower of their average acquisition cost and market value.

Work in progress and finished goods produced in-house are measured at the lower of average production cost and market value. Production cost includes the cost of materials used, labor and in-house and third-party direct and indirect manufacturing expenses.

In the heading of inventories include the "*Audiovisual Rights*", which relate mainly to allowances of movies, series and other television programs acquired from third parties, as well as, the cost incurred in the program production, which are valued at cost of acquisition or production and are charged to results in accordance with expectations of income generation thereof.

The Group also recognises expenditure for the cost of inventories the broadcasting rights of which have expired or the recovery value of which is considerably lower than the acquisition cost.

Obsolete, defective or slow-moving inventories are reduced to their realizable value.

The Group assesses the net realizable value of the inventories at the period end and recognizes the appropriate write-down if the inventories are overstated. When the circumstances that previously caused inventories to be written down no longer exist or when there is clear evidence of an increase in net realizable value because of changed economic circumstances, the amount of the write-down is reversed.

**j) Assets and liabilities classified as held for sale**

Assets classified as held for sale are considered to be groups of assets directly associated with them, to be disposed of together as a group in a single transaction, on which it is estimate that its realization is highly likely within twelve months from the date of their classification under this heading.

Assets classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell *(see note 10)*.

Liabilities classified as held for sale are registered at their expected redemption value.

**k) Long-term provisions**

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

*Provisions for taxes-*

The provisions for taxes relate to the estimated amount of the tax debts whose exact amount or date of payment has not yet been determined, since they depend on the fulfilment of certain conditions.

*Provisions for third-party liability-*

*"Provisions for third-party liability"* also includes the estimated amount required to cover probable claims arising from obligations assumed by the companies in the course of their commercial operations, and probable or certain liabilities arising from litigation in progress, compensation to workers who are estimated terminate their labor relations or other outstanding obligations of undetermined amount, as in the case of collateral and other similar guarantees provided by the Group.

**l) Recognition of income and expenses**

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

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

The accounting policies applied to recognize the revenue of the Group's main businesses are as follows:

- *Advertising revenue* is recognized when the advertisement appears in the media, less the amount of volume rebates offered to the media agencies.

- *Revenue from book sales* is recognized on the effective delivery thereof. Where the sales of the copies are subject to sales returns, the actual sales returns are deducted from the revenue recognized. Also, the amounts corresponding to rebates or trade discounts are deducted from revenue.

- *Revenue from the sale of newspapers and magazines* is recognized on the effective delivery thereof, net of the related estimated provision for sales returns. Also, the amounts relating to distributors' fees are deducted from revenue.

- The *revenue* and the costs associated with *audiovisual production* agreements are recognized in the income statement by reference to the stage of completion at the balance sheet date, using the percentage of completion method. When the final outcome of the agreement cannot be estimated reliably, the revenue must only be recognized to the extent that it is probable that the costs incurred will be recovered, whereas the costs are recognized as an expense for the year in which they are incurred. In any case, the expected future losses would be recognized immediately in the income statement.

- *Revenue related to intermediation services* is recognized at the amount of the fees received when the goods or services under the transaction are supplied.

- *Other services:* this item includes music sales, organization and management of events, e- commerce and internet services.

**m) Offsetting**

Assets and liabilities are offset and the net amount presented in the consolidated balance sheet when, and only when, they arise from transactions in which the Group has a contractual or legally enforceable right to set off the recognized amounts and its intends to settle them on a net basis, or to realize the asset and settle the liability simultaneously.

**n) Tax matters**

The expense or income due to tax on the year's earnings, is calculated by adding the current tax expense and the deferred tax expense. The current tax expense is determined by applying the applicable tax rate to the taxable income, and deducting from that result the amount of allowances and deductions generated and applied during the year, determining the payment obligation to the Public Administration.

The assets and liabilities due to deferred taxes, arise from temporary differences defined as the amounts expected to be payable or recoverable in the future which result from the difference between the book value of assets and liabilities and their tax base, as well as non-deductible expenses that acquire deductibility at a later time. These amounts are recorded applying the tax rate at which they are expected to be recovered or settled to the temporary difference.

Deferred tax assets also arise as a result of carry forward losses and credits due to tax deductions generated and not applied.

The corresponding liability due to deferred taxes is recognised for all taxable temporary differences, unless the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that at the time of its completion, affects neither the accounting nor the tax profit/loss.

Meanwhile, deferred tax assets, identified using deductible temporary differences, are only recognised if it is deemed likely that the consolidated companies will have sufficient future taxable profits against which to use them and they do not arise from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects the tax profit/loss or the accounting profit/loss. The remaining deferred tax assets (losses and carry forward deductions) are only recognised if it is deemed likely that the consolidated companies will have sufficient future taxable profits against which to use them.

At each accounting period end, recorded deferred taxes (assets and liabilities) are reviewed in order to check whether they are still applicable, making the appropriate adjustments, in accordance with the results of the analyses performed and the applicable tax rate at all times.

As a result of the modification of the Corporation Tax rate, approved by Act 27/2014, of 27 November on Corporation Tax, which reduces it to 28 % for the year 2015 and to 25% for 2016 and beyond, the companies which form the Prisa Group, have proceeded to recognise deferred tax assets and liabilities on their balance sheets at the tax rate at which they are expected to be recovered or cancelled.

**o) Loss after tax from discontinued operations**

A discontinued operation is a line of business that the Group has decided to abandon and/or sell and whose assets, liabilities and net profit or loss can be distinguished physically, operationally and for financial reporting purposes.

The income and expenses of the discontinued operations are presented separately in the consolidated income statement under *"Loss after tax from discontinued operations"(see note 17).*

**p) Share-based payments**

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

In the case of transactions settled with equity instruments, both the services provided and increases in equity are valued at the fair value of the equity realized, as of the date of the agreement to realize it. Conversely, in case of settlement with cash, goods and services received and the corresponding liabilities are recognized at the fair value of the latter as of the date on which the requirements for their recognition are met.

**q) Foreign currency transactions**

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

**r) Current/non-current classification**

Debts are recognized at their effective amount and debts due to be settled within twelve months from the balance sheet date are classified as current items and those due to be settled within more than twelve months as non-current items.

**s) Consolidated statements of cash flows**

The following terms are used in the consolidated statements of cash flows with the meanings specified:

- Changes in cash flows in the year: inflows and outflows of cash and cash equivalents, which are short-term, highly -liquid investments that are subject to an insignificant risk of changes in value.
- Operating activities: the principal revenue-producing activities of the Group and other activities that are not investing or financing activities.
- Investing activities: the acquisition and disposal of long-term assets and other investments not included in cash and in cash equivalents. For transactions between the parent and non-controlling interests, these only include those representing a change of control, in accordance with IAS 27.
- Financing activities: activities that result in changes in the size and composition of equity and borrowings, as well as transactions between the parent and non-controlling interests which do not represent a change of control in accordance with IAS 27.

### t) Environmental impact

In view of the printing activities carried on by certain consolidated Group companies and in accordance with current legislation, these companies control the degree of pollution caused by waste and emissions, and have an adequate waste disposal policy in place. The expenses incurred in this connection, which are not significant, are expensed currently.

The evaluation carried out indicates that the Group does not have any environmental liability, expenses, assets, provisions or contingencies that might be material with respect to its equity, financial position or results.

## 5) PROPERTY, PLANT, AND EQUIPMENT

**2015-**

The changes in 2015 in *"Property, plant and equipment"* in the consolidated balance sheet were as follows:

| | Thousands of euros | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Balance at 12/31/2014 | Monetary adjustment | Translation adjustment | Changes in scope of consolidation | Additions | Disposals | Transfers | Balance at 12/31/2015 |
| **Cost:** | | | | | | | | |
| Land and buildings | 98,947 | 54 | (6,059) | - | 791 | (4,588) | (692) | 88,453 |
| Plant and machinery | 374,141 | 37 | (7,475) | 269 | 4,603 | (5,248) | 1,479 | 367,806 |
| Other items of property, plant and equipment | 129,802 | (796) | (12,270) | 239 | 19,054 | (10,124) | 188 | 126,093 |
| Advances and equipment in the course | 1,236 | - | (90) | 22 | 3,210 | (47) | (2,487) | 1,844 |
| **Total cost** | **604,126** | **(705)** | **(25,894)** | **530** | **27,658** | **(20,007)** | **(1,512)** | **584,196** |
| **Accumulated depreciation:** | | | | | | | | |
| Buildings | (34,573) | (69) | 2,330 | 73 | (429) | 4,011 | 1,360 | (27,297) |
| Plant and machinery | (302,027) | (45) | 6,164 | (30) | (13,234) | 4,859 | 464 | (303,849) |
| Other items of property, plant and equipment | (95,285) | 323 | 9,054 | (317) | (19,145) | 8,966 | 526 | (95,878) |
| **Total accumulated depreciation** | **(431,885)** | **209** | **17,548** | **(274)** | **(32,808)** | **17,836** | **2,350** | **(427,024)** |
| **Impairment losses:** | | | | | | | | |
| Buildings | (12,266) | - | - | - | - | 26 | - | (12,240) |
| Plant and machinery | (16,174) | - | - | - | (38) | 239 | (552) | (16,525) |
| Other items of property, plant and equipment | (1,117) | - | 22 | - | (118) | 119 | 553 | (541) |
| **Total impairment losses** | **(29,557)** | **-** | **22** | **-** | **(156)** | **384** | **1** | **(29,306)** |
| **Net property, plant and equipment** | **142,684** | **(496)** | **(8,324)** | **256** | **(5,306)** | **(1,787)** | **839** | **127,866** |

**2014-**

The changes in 2014 in *"Property, plant and equipment"* in the consolidated balance sheet were as follows:

| | Thousands of euros | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Balance at 12/31/2013 | Monetary adjustment | Translation adjustment | Changes in scope of consolidation | Additions | Disposals | Transfers | Balance at 12/31/2014 |
| **Cost:** | | | | | | | | |
| Land and buildings | 107,441 | 1,291 | (2,115) | 211 | 475 | (5,209) | (3,147) | 98,947 |
| Plant and machinery | 489,118 | 592 | (3,546) | (202) | 6,831 | (8,714) | (109,938) | 374,141 |
| Digital set-top boxes and cards | 320,383 | - | - | - | 5,582 | (10,638) | (315,327) | - |
| Other items of property, plant and equipment | 134,133 | 1,206 | (1,657) | (648) | 14,761 | (3,521) | (14,472) | 129,802 |
| Advances and property, plant and equipment in the course of construction | 2,234 | - | (27) | - | 2,139 | (113) | (2,997) | 1,236 |
| **Total cost** | **1,053,309** | **3,089** | **(7,345)** | **(639)** | **29,788** | **(28,195)** | **(445,881)** | **604,126** |
| **Accumulated depreciation:** | | | | | | | | |
| Buildings | (35,210) | (268) | 811 | (90) | (2,275) | 1,122 | 1,337 | (34,573) |
| Plant and machinery | (384,854) | (421) | 2,971 | 164 | (24,780) | 7,608 | 97,285 | (302,027) |
| Digital set-top boxes and cards | (249,619) | - | - | - | (10,471) | 10,582 | 249,508 | - |
| Other items of property, plant and equipment | (92,529) | (2,082) | 1,552 | 489 | (19,688) | 3,215 | 13,758 | (95,285) |
| **Total accumulated depreciation** | **(762,212)** | **(2,771)** | **5,334** | **563** | **(57,214)** | **22,527** | **361,888** | **(431,885)** |
| **Impairment losses:** | | | | | | | | |
| Buildings | (11,325) | - | - | - | (1,440) | 500 | - | (12,266) |
| Plant and machinery | (18,331) | - | - | - | (3,282) | 847 | 4,592 | (16,174) |
| Digital set-top boxes and cards | (4,658) | - | - | - | 296 | 57 | 4,305 | - |
| Other items of property, plant and equipment | (1,074) | - | 9 | - | (67) | - | 15 | (1,117) |
| **Total impairment losses** | **(35,388)** | **-** | **9** | **-** | **(4,493)** | **1,403** | **8,912** | **(29,557)** |
| **Net property, plant and equipment** | **255,709** | **318** | **(2,002)** | **(76)** | **(31,919)** | **(4,265)** | **(75,081)** | **142,684** |

*Additions-*

The most significant additions in 2015 were as follows:

- *"Plant and machinery,"* in the amount of EUR 4,603 thousand (EUR 6,831 thousand in 2014), primarily from investments made by Group Media Capital, SGPS, S.A. for the acquisition of audiovisual equipment and by group Prisa Radio investments in technical equipment.

- *"Other items of property, plant and equipment,"* in the amount of EUR 19,054 thousand (EUR 14,761 thousand in 2014), mainly, from investments made for Santillana in digital developments and learning systems.

Additionally in 2014, they were made additions in *"Digital set-top boxes and cards,"* until June 2014, date in in which DTS was classified as *"Non-current assets held for sale" (see note 10),* amounting to EUR 5,582 thousand.

*Disposals-*

In 2015, Grupo Media Capital, SGPS, S.A. derecognized the studios located in Vialonga, as a consequence of its sale, amounting to EUR 4.361 thousand.

In 2014, DTS derecognized the cost, accumulated depreciation and impairment losses relating to digital set-top boxes and cards that were not in an adequate condition to be used until June 2014, date in which DTS was classified as *"Non-current assets held for sale" (see note 10).*

Additionally, in 2014, the Group derecognized the cost (EUR 6,068 thousand) and the accumulated depreciation (EUR 5,647 thousand) relating to the assets of Ítaca, S.L., as a consequence of the change of their offices.

*Transfers-*

There are no significant transfers in the 2015.

At June 30, 2014, net property, plant and equipment of DTS, amounting to EUR 73,960 thousands, were reclassified *to "Non-current assets held for sale"* in the accompanying consolidated balance sheet, as a result of the sale purchase agreement described in note 3 *(see note 10).*

Additionally, in 2014, was transferred to assets held for sale, the cost, the accumulated depreciation and the impairment losses relating to the printer of Barcelona.

There are no restrictions on holding title to the property, plant, and equipment other than those indicated in *note 12*.

There are no future property, plant, and equipment purchase commitments.

At December 31, 2015, the Prisa Group´s assets included fully amortized property, plant, and equipment amounting to EUR 268,748 thousand (December 31, 2014: EUR 252,491 thousand).

*Non-current assets held under leases-*

At December 31, 2015, the consolidated balance sheet included assets held under finance leases amounting to EUR 18,753 thousand (December 31, 2014: EUR 45,197 thousand, EUR 23,963 thousand were registered in *"Property, plant and equipment"* and EUR 21,234 thousand correspond to DTS and its registered in *"Non- current assets held for sale").*

The breakdown of the carrying amounts of non-current assets held under finance leases by nature of the leased asset at December 31, 2015 and 2014 is as follows (in thousands of euros) is as follows:

| | 12/31/2015 | | | 12/31/2014 | | |
|---|---|---|---|---|---|---|
| | **Cost** | **Accumulated depreciation** | **Carrying amount** | **Cost** | **Accumulated depreciation** | **Carrying amount** |
| Digital set-top boxes and cards | - | - | - | 26,897 | (6,362) | 20,535 |
| Plant and machinery | 7,412 | (7,240) | 172 | 7,412 | (6,557) | 855 |
| Other items of property, plant and equipment | 36,758 | (18,177) | 18,581 | 47,765 | (23,958) | 23,807 |
| **Total** | **44,170** | **(25,417)** | **18,753** | **82,074** | **(36,877)** | **45,197** |

The disappearance of the "*Digital set-top boxes and cards*" line is a result of the exit of the scope of consolidation of DTS *(see note 3).*

"*Other items of property, plant and equipment*" mainly include digital equipment of Santillana under financial leases.

The breakdown of the value of the purchase option, the amount of payments made in the year and the nominal value of outstanding payments in 2015 is as follows:

| | | | Nominal value of outstanding payments | | | |
|---|---|---|---|---|---|---|
| | Value of purchase option | Amount of payments made in the year | **Total** | Less than 1 year | Between 1 and 5 years | More than 5 years |
| Plant and machinery | 55 | 676 | **531** | 415 | 116 | - |
| Educational digital equipment | 27 | 7,873 | **18,345** | 8,950 | 9,395 | - |
| Other items of property, plant and equipment | 7 | 278 | **250** | 109 | 101 | 41 |
| **Total** | **89** | **8,827** | **19,126** | **9,474** | **9,612** | **41** |

The Group companies take out insurance policies to cover the potential risks to which the various items of property, plant, and equipment are exposed. At December 31, 2015 and 2014, the insurance policies taken out sufficiently covered the related risks.

## 6) GOODWILL

### 2015-

The detail of the goodwill relating to fully and proportionately consolidated Group companies and of the changes therein in 2015 is as follows:

| | Thousands of euros | | | | |
|---|---|---|---|---|---|
| | Balance at 12/31/2014 | Translation adjustment | Impairment | Changes in scope of consolidation | Balance at 12/31/2015 |
| Antena 3 de Radio, S.A. | 6,115 | - | - | - | 6,115 |
| Editora Moderna, Ltda. | 68,531 | (16,544) | - | - | 51,987 |
| Grupo Latino de Radiodifusión Chile, Ltda. | 55,576 | (2,319) | - | - | 53,257 |
| Grupo Media Capital, SGPS, S.A. | 417,085 | - | (390) | - | 416,695 |
| Propulsora Montañesa, S.A. | 8,608 | - | - | - | 8,608 |
| Sociedad Española de Radiodifusión, S.L. | 29,470 | - | - | - | 29,470 |
| Other companies | 14,573 | (72) | - | (3,335) | 11,166 |
| **Total** | **599,958** | **(18,935)** | **(390)** | **(3,335)** | **577,298** |

The detail, by business segment, of the goodwill relating to fully consolidated Group companies and of the changes therein in 2015 is as follows:

| | Thousands of euros | | | | |
|---|---|---|---|---|---|
| | Balance at 12/31/2014 | Translation adjustment | Impairment | Changes in scope of consolidation | Balance at 12/31/2015 |
| Radio | 113,429 | (2,319) | - | (3,993) | 107,117 |
| Education | 68,828 | (16,616) | - | - | 52,212 |
| Audiovisual (Media Capital) | 417,085 | - | (390) | - | 416,695 |
| Other | 616 | - | - | 658 | 1,274 |
| **Total** | **599,958** | **(18,935)** | **(390)** | **(3,335)** | **577,298** |

### 2014-

The detail of the goodwill relating to fully and proportionately consolidated Group companies and of the changes therein in 2014 is as follows:

| | Thousands of euros | | | | |
|---|---|---|---|---|---|
| | Balance at 12/31/2013 | Translation adjustment | Impairment | Changes in scope of consolidation | Balance at 12/31/2014 |
| Antena 3 de Radio, S.A. | 6,115 | - | - | - | 6,115 |
| Editora Moderna, Ltda. | 68,408 | 123 | - | - | 68,531 |
| Editora Objetiva, Ltda. | 9,255 | 768 | (6,791) | (3,232) | - |
| Grupo Latino de Radiodifusión Chile, Ltda. | 56,597 | (1,021) | - | - | 55,576 |
| Grupo Media Capital, SGPS, S.A. | 417,085 | - | - | - | 417,085 |
| Propulsora Montañesa, S.A. | 8,608 | - | - | - | 8,608 |
| Sociedad Española de Radiodifusión, S.L. | 29,470 | - | - | - | 29,470 |
| DTS, Distribuidora de Televisión Digital, S.A. | 1,848,676 | - | (1,848,676) | - | - |
| Other companies | 15,235 | 68 | (253) | (477) | 14,573 |
| **Total** | **2,459,449** | **(62)** | **(1,855,720)** | **(3,709)** | **599,958** |

The detail, by business segment, of the goodwill relating to fully consolidated Group companies and of the changes therein in 2014 is as follows:

| | Thousands of euros | | | | |
|---|---|---|---|---|---|
| | Balance at 12/31/2013 | Translation adjustment | Impairment | Changes in scope of consolidation | Balance at 12/31/2014 |
| Radio | 114,637 | (955) | (253) | - | 113,429 |
| Education | 78,436 | 892 | (6,791) | (3,709) | 68,828 |
| Audiovisual (Media Capital) | 2,265,761 | - | (1,848,676) | - | 417,085 |
| Other | 615 | 1 | - | - | 616 |
| **Total** | **2,459,449** | **(62)** | **(1,855,720)** | **(3,709)** | **599,958** |

**Impairment tests**

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

To perform the above mentioned impairment test, the goodwill is allocated to one or more cash-generating units. The recoverable amount of each cash- generating unit is the higher of value in use and the net selling price that would be obtained from the assets associated with the cash-generating unit. In the case of the main cash-generating units to which goodwill has been allocated, their recoverable amount is their value in use.

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

These projections cover the following five years and include a residual value that is appropriate for each business, applying a constant expected growth rate, for the most relevant impairment ranging from 0% to 2.5%. The rate ranging for Media Capital is located on the upper section.

In order to calculate the present value of these flows, they are discounted at a rate that reflects the weighted average cost of capital employed adjusted for the country risk and business risk corresponding to each cash-generating unit. Therefore, in 2015 the rates used ranged from 7.5% to 16.7% depending on the business being analysed. The range used for the impairment tests of Media Capital is around 10%.

*Media Capital-*

The main variables used by management to determine the value in use of Media Capital's audiovisual business were as follows:

*Evolution of the audience share and advertising share*- management predicts maintenance, in both audience share and advertising share in the future projections of TVI, Media Capital's free-to-air TV channel and the current market leader.

*Variations in the advertising market* – management has adjusted its projections for the advertising market to the new macroeconomic environment in Portugal. In that sense, it has been estimated a recovery of the advertising market while advertising the fifth year projected levels still do not reach levels in 2011.

*Results of the impairment tests-*

- DTS

In June 2014, as a consequence of the agreement for the sale of a 56% of DTS, Prisa has valued the stake in the company at the estimate price of the transaction. This valuation was revised in December 2014. As a result of this valuation, an impairment of DTS´s goodwill amounting to EUR 1,848,676 thousand was registered in *"Loss after tax from discontinued operations"* in the accompanying consolidated income statement.

- Media Capital

At December 31, 2014 and 2015, the recoverable value of Media Capital is higher than its book value.

- Other impairment tests

In 2014, as a result of valuation of Editora Objetiva, Ltda. at the price of the agreement to sale the business, an impairment of goodwill amounting to EUR 6,791 thousand was registered in *"Impairment of goodwill"* in the accompanying consolidated income statement.

According to the estimates and projections available to the Group's directors, the expected future cash flows attributable to the cash-generating units or groups of cash-generating units to which goodwill is allocated indicate that the net value of each goodwill allocated at December 31, 2015, may be recovered.

*Sensitivity to changes in key assumptions-*

- Media Capital

In order to determine the sensitivity of value in use calculations to changes in the key assumptions, an analysis was carried out on the following changes in the key assumptions. These changes did not imply any impairment on the goodwill allocated:

- Increase of 0.5% in the discount rate.
- Decrease of 0.5% in the expected growth rate from the fifth year.
- Decrease of 1% in the growth of the advertising market in Portugal.

If the discount rate increases by 0.5%, the recoverable amount of Media Capital would exceed the book value by EUR 47.9 million.

If the growth rate expected after the fifth year decreases by 0.5%, the recoverable amount of Media Capital would exceed the book value by EUR 54.9 million.

In the event that the expected growth of the advertising market in Portugal fell by 1%, the recoverable amount of Media Capital would exceed the book value by EUR 50.1 million.

## 7) INTANGIBLE ASSETS

**2015-**

The changes in 2015 in *"Intangible assets"* in the consolidated balance sheet were as follows:

| | Thousands of euros | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Balance at 12/31/2014 | Monetary adjustment | Translation adjustment | Changes in scope of consolidation | Additions | Disposals | Transfers | Balance at 12/31/2015 |
| Cost: | | | | | | | | |
| Computer software | 152,762 | (89) | (3,015) | 211 | 10,384 | (6,614) | 1,530 | 155,169 |
| Prototypes | 221,429 | (1,159) | (10,851) | - | 36,926 | (55,728) | 412 | 191,029 |
| Advances on copyrights | 7,820 | 82 | (668) | - | 995 | (619) | (342) | 7,268 |
| Audiovisual rights | 5,968 | - | (53) | - | - | (64) | 2,698 | 8,549 |
| Other intangible assets | 93,651 | (45) | 241 | 1,140 | 4,506 | (3,926) | 1,585 | 97,152 |
| **Total cost** | **481,630** | **(1,211)** | **(14,346)** | **1,351** | **52,811** | **(66,951)** | **5,883** | **459,167** |
| **Accumulated amortization:** | | | | | | | | |
| Computer software | (107,511) | 25 | 2,355 | (196) | (18,348) | 4,778 | (1,978) | (120,875) |
| Prototypes | (160,853) | 942 | 5,373 | - | (35,053) | 54,156 | 34 | (135,401) |
| Advances on copyrights | (5,950) | 5 | 463 | - | (436) | 325 | 303 | (5,290) |
| Audiovisual rights | (3,154) | - | 52 | - | (899) | - | - | (4,001) |
| Other intangible assets | (40,597) | 12 | 1,358 | (21) | (3,067) | 2,819 | 25 | (39,471) |
| **Total accumulated amortization** | **(318,065)** | **984** | **9,601** | **(217)** | **(57,803)** | **62,078** | **(1,616)** | **(305,038)** |
| **Impairment losses:** | | | | | | | | |
| Computer software | (6,179) | - | - | - | 495 | 826 | 609 | (4,249) |
| Prototypes | (1,584) | - | - | - | - | - | 882 | (702) |
| Advances on copyrights | (455) | - | 121 | - | 23 | 889 | (886) | (308) |
| Other intangible assets | (18,149) | 44 | (1,495) | - | (2,551) | 3,009 | (677) | (19,819) |
| **Total impairment losses** | **(26,367)** | **44** | **(1,374)** | **-** | **(2,033)** | **4,724** | **(72)** | **(25,078)** |
| **Net intangible assets** | **137,198** | **(183)** | **(6,119)** | **1,134** | **(7,025)** | **(149)** | **4,195** | **129,051** |

**2014-**

The changes in 2014 in *"Intangible assets"* in the consolidated balance sheet were as follows:

| | Thousands of euros | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Balance at 12/31/2013 | Monetary adjustment | Translation adjustment | Changes in scope of consolidation | Additions | Disposals | Transfers | Balance at 12/31/2014 |
| Cost: | | | | | | | | |
| Computer software | 264,530 | 642 | (456) | (671) | 12,374 | (14,279) | (109,378) | 152,762 |
| Prototypes | 211,321 | 2,117 | (80) | (14,202) | 36,259 | (14,167) | 181 | 221,429 |
| New subscribers – Installation and connection | 95,602 | - | - | - | 14,387 | (18,513) | (91,476) | - |
| Advances on copyrights | 72,308 | 6 | 149 | (65,110) | 3,154 | (2,687) | - | 7,820 |
| Audiovisual rights | 76,670 | - | 4 | - | - | (61,761) | (8,945) | 5,968 |
| Other intangible assets | 103,737 | 155 | (54) | 65 | 1,023 | (2,582) | (8,693) | 93,651 |
| **Total cost** | **824,168** | **2,920** | **(437)** | **(79,918)** | **67,197** | **(113,989)** | **(218,311)** | **481,630** |
| **Accumulated amortization:** | | | | | | | | |
| Computer software | (189,062) | (596) | 552 | 645 | (22,933) | 8,760 | 95,123 | (107,511) |
| Prototypes | (149,114) | (1,798) | 483 | 12,158 | (33,587) | 11,136 | (131) | (160,853) |
| Advances on copyrights | (48,018) | (1) | (83) | 42,604 | (2,229) | 1,777 | - | (5,950) |
| Audiovisual rights | (59,525) | - | - | - | (741) | 52,981 | 4,131 | (3,154) |
| Other intangible assets | (45,137) | (2,191) | 481 | 21 | (1,705) | 1,745 | 6,189 | (40,597) |
| **Total accumulated amortization** | **(490,856)** | **(4,586)** | **1,433** | **55,428** | **(61,195)** | **76,399** | **105,312** | **(318,065)** |
| **Impairment losses:** | | | | | | | | |
| Computer software | (4,039) | - | 2 | - | (6,381) | 4,239 | - | (6,179) |
| Prototypes | (1,784) | - | 8 | - | 216 | 191 | (215) | (1,584) |
| Advances on copyrights | (23,066) | - | 13 | 20,287 | (5,254) | 3,394 | 4,171 | (455) |
| Other intangible assets | (19,316) | - | (1,014) | - | (7,985) | 8,783 | 1,383 | (18,149) |
| **Total impairment losses** | **(48,205)** | **-** | **(991)** | **20,287** | **(19,404)** | **16,607** | **5,339** | **(26,367)** |
| **Net intangible assets** | **285,107** | **(1,666)** | **5** | **(4,203)** | **(13,402)** | **(20,983)** | **(107,660)** | **137,198** |

*Changes in the scope of consolidation-*

In 2014, the *"Change in scope of consolidation"* column shows the effect of the exit of the scope of consolidation of the companies of the trade publishing business, net amounting to EUR 4,283 thousand.

*Additions-*

The most significant additions in 2015 were as follows:

- *"Prototypes,"* amounting to EUR 36,926 thousand (EUR 36,259 thousand in 2014), relating to new prototypes for the publication of books at Grupo Santillana.

- *"Computer software,"* amounting to EUR 10,384 thousand (EUR 12,374 thousand), relating to the computer software acquired and/or developed by third parties for Group companies.

- *"Other intangible assets,"* amounting to EUR 4,506 thousand (EUR 1,023 thousand), relating mainly for the purchase of frequencies of Radio in Colombia.

Additionally in 2014, they were made additions in *"New subscribers – Installation and connection"*,until June 2014, date in in which DTS was classified as *"Non-current assets held for sale" (see note 10),* amounting to EUR 14,387 thousand.

*Disposals-*

Grupo Santillana derecognized, in 2015, EUR 54,156 thousand of fully depreciated prototypes (December 31, 2014: EUR 11,136 thousand).

*Transfers-*

At June 30, 2014, the net intangible assets of DTS, amounting to EUR 109,172 thousands, were reclassified *to "Non-current assets held for sale"* in the accompanying consolidated balance sheet, as a result of the sale purchase agreement described in note 3 *(see note 10).*

*Impairment -*

The impairment recognized in 2014 under "*Other intangible assets*" was accounted for by administrative concessions for the operation of radio frequencies in the United States and Argentina.

*"Other intangible assets"* includes administrative concessions amounting to EUR 45,403 thousand (December 31, 2014: EUR 42,583 thousand), which are considered to be intangible assets with indefinite useful lives because it is highly probable that they will be renewed and the related costs are not material.

At the end of each reporting period, the residual useful life of these concessions is analyzed in order to ensure that it continues to be indefinite; if this is not the case, the concessions are amortized.

At December 31, 2015, the Prisa Group's assets included fully amortized intangible assets amounting to EUR 132,672 thousand (December 31, 2014: EUR 168,344 thousand).

There are no restrictions on holding title to the intangible assets other than those indicated in *note 12.*

There are no future relevant intangible asset purchase commitments other than those indicated in *note 25.*

## 8) INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

**2015-**

The changes in 2015 in *"Investments accounted for using the equity method"* in the consolidated balance sheet were as follows:

| | Thousands of euros | | | | | |
|---|---|---|---|---|---|---|
| | Balance at 12/31/2014 | Translation adjustment | Share of results / Impairment losses | Transfers | Disposals | Balance at 12/31/2015 |
| **Investments accounted for using the equity method:** | | | | | | |
| Sistema Radiópolis, S.A. de C.V. | 42,373 | (3,205) | 5,994 | - | (5,760) | 39,402 |
| Other companies | 3,712 | (366) | (1,839) | 2,055 | (123) | 3,439 |
| **Total** | **46,085** | **(3,571)** | **4,155** | **2,055** | **(5,883)** | **42,841** |

**2014-**

The changes in 2014 in *"Investments accounted for using the equity method"* in the consolidated balance sheet were as follows:

| | Thousands of euros | | | | | |
|---|---|---|---|---|---|---|
| | Balance at 12/31/2013 | Additions | Share of results / Impairment losses | Transfers | Disposals/ Changes in scope of consolidation | Balance at 12/31/2014 |
| **Investments accounted for using the equity method:** | | | | | | |
| Mediaset España Comunicación, S.A. | 593,653 | (621,134) | 27,481 | - | - | - |
| Sistema Radiópolis, S.A. de C.V. | 37,361 | - | 8,855 | - | (3,843) | 42,373 |
| Other companies | 4,119 | 696 | (163) | 695 | (1,635) | 3,712 |
| **Total** | **635,133** | **(620,438)** | **36,173** | **695** | **(5,478)** | **46,085** |

In 2014, after the sale of 13.68% of stake in Mediaset España, the company ceased to consolidate in the group due to the lack of significant influence as its stake is below 5% *(see note 12a- Non-current financial assets).*

Under the heading "*Share of results/ Impairment losses*" was recorded the profit from the sale of 13.68% of Mediaset España (EUR 13,376 thousand), as well as the amount resulting from recognizing at fair value residual ownership of the company when it was first recognized as a financial asset (EUR 14,823 thousand), as well as the result of the company.

At December 31, 2015 and 2014, the Group had ownership interests in companies accounted for using the equity method, the net negative value of which is recognized under *"Long-term provisions" (see note 13)*.

## 9) CURRENT ASSETS AND LIABILITIES

### a) Inventories

The detail of *"Inventories,"* in thousands of euros, at December 31, 2015 and 2014, is as follows:

| | 12/31/2015 | | | 12/31/2014 | | |
|---|---|---|---|---|---|---|
| | Cost | Write-downs | **Carrying amount** | Cost | Write-downs | **Carrying amount** |
| Finished goods | 155,406 | (8,435) | **146,971** | 182,355 | (35,740) | **146,615** |
| Work in progress | 219 | - | **219** | 902 | - | **902** |
| Raw materials and other supplies | 7,822 | (1,491) | **6,331** | 13,875 | (2,150) | **11,725** |
| **Total** | **163,447** | **(9,926)** | **153,521** | **197,132** | **(37,890)** | **159,242** |

*"Finished goods"* includes publications amounting to a net EUR 63,737 thousand (2014: EUR 63,335 thousand) and audiovisual rights amounting to a net EUR 82,990 thousand (2014: EUR 82,066 thousand).

*"Raw materials and other supplies"* includes mainly paper and printing machinery spare parts.

### b) Trade and other receivables

The detail of the changes in 2015 and 2014 in *"Trade and other receivables- Allowances"* is as follows:

| Thousands of euros | | | | |
|---|---|---|---|---|
| Balance at 12/31/2014 | Translation adjustment | Charge for the year | Amounts used /Disposals | Balance at 12/31/2015 |
| 67,212 | (1,758) | 13,005 | (10,908) | 67,551 |

| Thousands of euros | | | | | | |
|---|---|---|---|---|---|---|
| Balance at 12/31/2013 | Translation adjustment | Charge for the year | Change in scope of consolidation | Amounts used /Disposals | Transfers | Balance at 12/31/2014 |
| 72,331 | (67) | 55,896 | (2,048) | (55,448) | (3,452) | 67,212 |

The most significant heading included in *"Trade and other receivables"* is *"Trade receivables for sale and services"* amounting to EUR 371,743 thousand, net of allowance. The details of the aging of this amount, at December 31, 2015 is as follows:

| | Thousands of euros |
|---|---|
| | Balance at 12/31/2015 |
| 0-3 months | 339,267 |
| 3-6 months | 18,468 |
| 6 months - 1 year | 11,491 |
| 1 year- 3 years | 2,338 |
| More than 3 years | 179 |
| **Total** | **371,743** |

At the beginning of 2016, most part of receivables with an aging over one year have been collected.

### c) Cash and cash equivalents

The balance of the heading "*Cash and cash equivalents*" in the accompanying consolidated balance sheet to December 31, 2015 amounts to EUR 319,001 thousand (EUR 152,431 thousand at December 31, 2014). This amount included EUR 55,381 thousand from the sale of DTS *(see note 3)*, as well as the cash inflow of EUR 61,639 thousand resulting from the capital increase subscribed by International Media Group S.a.r.l, net of costs *(see note 11a)*. Approximately EUR 50,000 thousand belong to companies of radio and education business units located in Latin America.

### d) Other non-trade payables

The heading *"Other non-trade payables"* of the accompanying consolidated balance sheet at December 31, 2015 amounts to EUR 65,737 thousand (EUR 67,200 thousand at December 31, 2014) and mainly include remuneration payable. Under this heading it is also included current liabilities derived from the agreement signed by Prisa Radio, S.A. with 3i Group plc for the acquisition by Prisa Radio, S.A. of the shares of 3i Group plc in treasury stock *(see note 25)*, as well as other debts with suppliers of fixed assets.

### e) Other current liabilities

The heading *"Other current liabilities"* of the accompanying consolidated balance sheet at December 31, 2015 amounts to EUR 22,782 thousand (EUR 45,681 thousand at December 31, 2014) and includes accrual accounts, mainly generated in the educational business.

## 10) NON- CURRENT ASSETS AND LIABILITIES HELD FOR SALE

On December 31, 2014, as a result of the executed, in June 2014, with Telefónica de Contenidos, S.A.U. a sale purchase agreement of all the shares of DTS held by Prisa, representing a 56% of the share capital of DTS, the assets and liabilities of DTS were presented in the accompanying consolidated balance sheet as *"Non-current assets held for sale"* and

*"Liabilities associated with non-current assets held for sale"*. The contribution to the main lines of the consolidated balance sheet was as follows (in thousand euros):

| | 2014 |
|---|---|
| **Non- current assets-** | **686,924** |
| Deferred tax assets | 651,622 |
| Other non-current assets | 35,302 |
| **Current assets-** | **431,886** |
| Inventories | 55,979 |
| Trade and other receivables | 318,942 |
| Current financial assets | 52,713 |
| Cash and cash equivalents | 4,252 |
| **Total assets** | **1,118,810** |
| **Non- current liabilities-** | **158,557** |
| Non- current bank borrowings | 158,263 |
| Other non- current liabilities | 294 |
| **Current liabilities -** | **459,921** |
| Trade payables | 331,895 |
| Other non-trade payables | 14,523 |
| Current bank borrowings | 57,658 |
| Payable to public authorities | 13,443 |
| Other current liabilities | 42,402 |
| **Total liabilities** | **618,478** |

In 2014, DTS was valued at its fair value, adjusted by the estimated costs of disposal in the accompanying consolidated balance sheet. During 2015 has been executed the sale purchase agreement of 56% of the capital share of DTS. Consequently has been derecognized the assets, liabilities and minority interests of company *(see note 3).*

## 11) EQUITY

### a) Share capital

Both the share capital and the number of shares of the Company have been amended in 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 General 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.

*Capital increase subscribed by shareholder International Media Group, S.à.r.l.*

By virtue of the delegation of authority to the Board of Directors to increase capital, granted by the Ordinary General Shareholders' Meeting held on April 20, 2015, in a meeting held on November 14, 2015 Prisa's Board of Directors approved a capital increase for a total amount (nominal value plus the share premium) of EUR 64,000 thousands, at an issue price per share of EUR 10.00 and excluding the existing shareholders' preferential subscription rights, which was subscribed by shareholder International Media Group, S.à.r.l. ("International Media Group") and paid up in full by a monetary contribution at the time of the subscription.

The capital increase was effected by the issue and allotment of ordinary shares, having obtained the mandatory report prepared by the auditor appointed by the Commercial Registry of Madrid confirming that the issue price is appropriate in the terms provided in the Spanish Capital Companies Act.

*Exercise of Warrants 2013.*

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

On December 31, 2015, and after the aforementioned transactions, the share capital of Prisa amounts to 235,007,874 euros and is represented by 78,335,958 ordinary shares with a nominal value of EUR 3.00 each.

Share capital is fully subscribed and paid up.

On December 31, 2015, the significant shareholders of Prisa, according to information published in the *Comisión Nacional del Mercado de Valores* ("CNMV") are the following. However since some shareholders have not updated in the CNMV the number of voting rights that they hold after the grouping and exchange of shares or reverse split, the Company has calculated the estimate number of the voting rights that correspond to such shareholders (Nicolas Berggruen, Banco Santander, S.A, Fundación Bancaria Caixa D'Estalvis I Pensions de Barcelona/ Caixabank, S.A, HSBC Holdings PLC, Grupo Herradura de Occidente, S.A. de CV/ Consorcio Transportista Occher, S.A. de C.V.), dividing by 30 the number of old shares they declared (one new share for 30 old shares).

| Shareholder's Name | Number of Direct Voting Rights | Number of Indirect Voting Rights | Total % of Voting Rights (1) |
|---|---|---|---|
| RUCANDIO, S.A. (2) | - | 13,729,811 | 17.53 |
| GRUPO HERRADURA OCCIDENTE, S.A. DE C.V (2) | - | 6,297,076 | 8.04 |
| AMBER CAPITAL UK LLP (3) | - | 10,550,034 | 13.47 |
| INTERNATIONAL MEDIA GROUP, S.A.R.L (4) | 6,400,000 | - | 8.17 |
| DON NICOLAS BERGGRUEN (5) | 6,115 | 947,433 | 1.22 |
| FUNDACION BANCARIA CAIXA D ESTALVIS I PENSIONS DE BARCELONA | - | 2,997,879 | 3.83 |
| BANCO SANTANDER, S.A. (6) | 34,866 | 3,246,872 | 4.19 |
| HSBC HOLDINGS PLC | - | 5,845,758 | 7.46 |
| TELEFONICA, S.A. (7) | 3,586,245 | - | 4.58 |
| SOCIETE GENERALE, S.A. | 2,381,233 | - | 3.04 |

The aforementioned indirect shareholding is held as follows:

| Indirect Shareholder's Name | Direct Shareholder's Name | Number of Direct Voting Rights |
|---|---|---|
| RUCANDIO, S.A. | TIMON, S.A. | 264,271 |
| RUCANDIO, S.A. | RUCANDIO INVERSIONES, SICAV, S.A. | 11,303 |
| RUCANDIO, S.A. | PROMOTORA DE PUBLICACIONES, S.L. | 2,574,964 |
| RUCANDIO, S.A. | ASGARD INVERSIONES, SLU | 922,069 |
| RUCANDIO, S.A. | OTNAS INVERSIONES, S.L. | 3,100,000 |
| RUCANDIO, S.A. | CONTRATO ACCIONISTAS PRISA | 6,857,204 |
| GRUPO HERRADURA OCCIDENTE, S.A. DE C.V | CONSORCIO TRANSPORTISTA OCCHER, S.A. DE C.V | 6,297,076 |
| AMBER CAPITAL UK LLP | AMBER ACTIVE INVERSTORS LIMITED | 7,361,571 |
| AMBER CAPITAL UK LLP | AMBER GLOBAL OPPORTUNITIES LIMITED | 2,692,884 |
| AMBER CAPITAL UK LLP | AMBER SELECT OPPORTUNITIES LIMITED | 495,579 |
| DON NICOLAS BERGGRUEN | BH STORES IV, B.V | 947,433 |
| FUNDACION BANCARIA CAIXA D ESTALVIS I PENSIONS DE BARCELONA | CAIXABANK, S.A. | 2,997,879 |
| BANCO SANTANDER, S.A. | SOCIEDADES GRUPO SANTANDER | 3,246,872 |

| Indirect Shareholder's Name | Direct Shareholder's Name | Number of Direct Voting Rights |
|---|---|---|
| HSBC HOLDINGS PLC | HSBC BANK PLC | 5,845,758 |

(1) The percentages of voting rights, have been calculated on the total voting rights in Prisa at December 31, 2015 (i.e. 78,335,958).

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

Of the 6,297,076 (8.04%) voting rights held by Consorcio Transportista Occher, S.A. de C.V, 6,140,576 (7.84%) are linked to Prisa Shareholders Agreement and are already included in the 6,857,204 indirect voting rights declared by Rucandio through that Shareholders Agreement. Therefore the 17.53% over the total voting rights of the Company, which is indirectly held by Rucandio, includes the 7.84% held by Consorcio Transportista Occher, S.A. de C.V. which is bound by the Shareholders' Agreement.

(3) Mr. Joseph Oughourlian, external director representing significant shareholdings, has stated to the Company: i) that the structure of his indirect stake in the share capital of the Company is as declared in the previous tables and ii) that he controls, per article 5 of the Consolidated Text of the Spanish Stock Exchange Act:

- Amber Capital UK, LLP, which acts as investment manager to Amber Active Investors Limited, Amber Global Opportunities Limited and Amber Select Opportunities Limited.

- Amber Capital LP, which acts as investment manager to Succinite XI Holdings II SARL.

In addition to the voting rights reflected in the above tables (indirect stake of Amber Capital UK LLP, through Active Investors Limited, Amber Global Opportunities Limited y Amber Select Opportunities Limited) the company Succinite XI Holdings II SARL directly holds 1,872,210 voting rights of Prisa.

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

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

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

(6) The holder of the indirect interest of Banco Santander, S.A. is held through the following entities of Grupo Santander: Cántabra de Inversiones, S.A., Cántabro Catalana de Inversiones,

S.A., Fomento e Inversiones, S.A., Títulos de Renta Fija, S.A., Carpe Diem Salud, S.L. and Suleyado 2003, S.L.

(7) Telefónica, S.A., pursuant to the transitory provision four of Royal Decree 878/2015 of 2 October and the entry into force of the new Article 28 bis of Royal Decree 1362/2007, has also communicated to the CNMV the holding of financial instruments linked to shares of Prisa, subject to net settlement in cash at December 31, 2015 (i.e 6,267,600 voting rights linked to the shares used as a reference for these instruments). In February 2016 and before the consolidated financial statements were drawn up by the Board of Directors, Telefónica has communicated to the CNMV the acquisition of Prisa´s shares as a consequence of the execution of financial instruments.

**b) Share premium**

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

The amount of the issue premium reserve at December 31, 2015 is EUR 1,371,299 thousand (December 31, 2014: EUR 1,328,671 thousand).

**c) Reserves**

*Revaluation reserve 1983-*

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

*Revaluation reserve Royal Decree-Law 7/1996-*

Under Royal Decree 2607/1996, of December 20, approving the regulations for asset revaluations pursuant to Royal Decree-Law 7/1996, of June 7, the surpluses arising from the revaluations must be charged to *"Revaluation reserve Royal Decree-Law 7/1996."* The balance of this account at year end amounts to EUR 10,650 thousand and has been unrestricted since January 1, 2007, except for the portion of the assets not yet depreciated.

*Legal reserve-*

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

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

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

The balance of this account at December 31, 2015 amounts to EUR 5,335 thousand.

*Reserve for treasury shares-*

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

The balance of this account at December 31, 2015 amounts to EUR 2,386 thousand.

*Bylaw-stipulated reserves-*

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

The balance of this account at December 31, 2015 amounts to EUR 11,885 thousand.

**d) Reserves for first-time application of IFRS**

As a result of the first-time application of IFRSs to the Group's consolidated financial statements, certain assets and liabilities arose at January 1, 2004, the effect on equity of which is included in this account.

**e) Accumulated profit – From prior years**

These reserves include the results not distributed by the companies that form part of the consolidated group, minus the dividend charged to the year's income.

**f) Treasury shares**

The changes in *"Treasury shares"* in 2015 and 2014 were as follows:

| | Thousands of euros | | | |
|---|---|---|---|---|
| | 2015 | | 2014* | |
| | Number of shares | Amount | Number of shares | Amount |
| **At beginning of year** | **402,556** | **3,116** | **43,135** | **518** |
| Purchases | 422,457 | 2,485 | 538,729 | 4,935 |
| Deliveries | (367,976) | (2,977) | (179,308) | (2,500) |
| Reserve for treasury shares | - | (238) | - | 163 |
| **At end of year** | **457,037** | **2,386** | **402,556** | **3,116** |

(*) As a consequence of the reverse split executed by Prisa on May 22, 2015, the movement of the treasury share of 2014 has been restated for purposes of comparison.

At December 31, 2015, Promotora de Informaciones, S.A. held a total of 457,037 treasury shares, representing 0.583% of its share capital.

Treasury shares are valued at market price at December 31, 2015 (5.220 euros per share).

The total amount of the treasury shares amounts to EUR 2,386 thousand.

Deliveries of shares are detailed in note 15 of this Consolidated Annual Report.

At December 31, 2015, the Company did not hold any shares on loan.

### g) Exchange differences

Exchange loss at December 31, 2015, amounted to EUR 37,662 thousand (December 31, 2014: exchange loss of EUR 4,842 thousand). The most significant exchange differences are generated in Colombia, Chile, Brazil, Mexico, Argentina and USA by the evolution of exchange rates.

### h) Translation differences in accumulated profit from prior years

The detail, by company, of the translation differences in 2015 and 2014 is as follows:

| | Thousands of euros | |
|---|---|---|
| | 12/31/2015 | 12/31/2014 |
| Grupo Santillana Educación Global, S.L. and subsidiaries | (13,671) | (10,322) |
| Other | 1,935 | - |
| **Total** | **(11,736)** | **(10,322)** |

### i) Minority interest

The minority interest is the stake in the equity and income of the Group companies that are fully consolidated. The changes in this line-item in 2015 and 2014 were as follows:

| | Thousands of euros | | | | | |
|---|---|---|---|---|---|---|
| | Balance at 12/31/2014 | Participation in results | Changes in scope of consolidation | Dividends paid/ received | Other | Balance at 12/31/2015 |
| Caracol, S.A. | 14,724 | 7,183 | - | (5,318) | (2,642) | 13,947 |
| Diario As, S.L. | 11,016 | 1,153 | - | (485) | (56) | 11,628 |
| DTS, Distribuidora de Televisión Digital, S.A. | (218,147) | - | 218,147 | - | - | - |
| GLR Chile, Ltda. | 16,573 | 1,304 | - | - | (747) | 17,130 |
| Grupo Santillana Educación Global, S.L. and subsidiaries | 8,354 | 23,212 | (13) | (23,197) | (11,617) | (3,261) |
| Grupo Media Capital, SGPS, S.A. and subsidiaries | 7,680 | 919 | - | (840) | (18) | 7,741 |
| Prisa Radio, S.A. and subsidiaries (Spain) | 10,116 | 892 | 20 | 2,189 | 30 | 13,247 |
| Other companies | 8,347 | (1,140) | 161 | (535) | (329) | 6,504 |
| **Total** | **(141,337)** | **33,523** | **218,315** | **(28,186)** | **(15,379)** | **66,936** |

The *"Changes in scope consolidation"* of DTS corresponding to the derecognized of 44% of its minority interest, as a consequence of its sale *(see note 3)*.

| | Thousands of euros | | | | | |
|---|---|---|---|---|---|---|
| | Balance at 12/31/2013 | Participation in results | Changes in scope of consolidation | Dividends paid/ received | Other | Balance at 12/31/2014 |
| Caracol, S.A. | 17,372 | 6,336 | - | (6,967) | (2,017) | 14,724 |
| Diario As, S.L. | 10,901 | 995 | (2) | (878) | - | 11,016 |
| DTS, Distribuidora de Televisión Digital, S.A. | (125,694) | (92,388) | - | - | (65) | (218,147) |
| GLR Chile, Ltda. | 19,095 | 1,549 | - | - | (4,071) | 16,573 |
| Grupo Santillana Educación Global, S.L. and subsidiaries | 10,459 | 19,572 | 9 | (19,513) | (2,173) | 8,354 |
| Grupo Media Capital, SGPS, S.A. and subsidiaries | 7,343 | 875 | - | (521) | (17) | 7,680 |
| Prisa Radio, S.A. and subsidiaries (Spain) | 5,084 | (1,713) | - | 3,533 | 3,212 | 10,116 |
| Other companies | 18,224 | (8,310) | (38) | (1,038) | (491) | 8,347 |
| **Total** | **(37,217)** | **(73,084)** | **(31)** | **(25,384)** | **(5,621)** | **(141,337)** |

## j) Capital management policy

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

During recent financial years, considerable efforts have been made to maintain the level of the Group's equity, such as increasing capital by converting 75 million warrants into shares in January 2012, issuing, during the same year, bonds mandatorily converted into shares in July 2014 in an amount of EUR 434 million, issuing EUR 315 million in shares to deal with the EUR 202 million warrants issued as part of Prisa's bank debt refinancing in 2013 and the recent capital increases subscribed by Consorcio Transportista Occher, S.A. de C.V., and International Media Group S.à.r.l., for EUR 100 million and EUR 64 million, respectively (*see notes 11a and 12b*).

In 2015, Prisa also consolidated and exchanged shares with the aim of limiting the volatility of the share on the market without its value losing liquidity.

Additionally, with the agreement to refinance its financial debt signed in December 2013, the Group obtained greater flexibility in the process of debt reduction and an improvement in its liquidity profile *(see note 12b)*. This agreement establishes commitments to maintain leverage ratios and interest cover at specific levels.

During 2014 and 2015, the Group continued to shed debt using proceeds from the sale of 17.3% of Mediaset España, 56% of DTS and the trade publishing business, and with proceeds from the share capital increase subscribed by Occher (*see notes 3 and 12b*).

In addition, in 2016, Prisa came to an agreement with some of its main creditors to issue bonds mandatorily convertible into ordinary shares through swapping the company's financial debt (*see notes 1 and 27*).

## 12) NON- CURRENT FINANCIAL ASSETS AND FINANCIAL LIABILITIES

### a) Financial investments

The breakdown by category of financial investments of the Group at December 31, 2015 and 2014 is as follows:

**2015 -**

| | Thousands of euros | | | | |
|---|---|---|---|---|---|
| | Other financial liabilities at FV through P&L | Financial assets available for sale | Loans and receivables | Investments held to maturity | **Total** |
| Equity instruments | - | 2,948 | - | - | 1,005 |
| Other financial assets | 10 | - | 16,591 | 11,355 | 29,899 |
| **Non-current financial investments** | **10** | **2,948** | **16,591** | **11,355** | **30,904** |
| Equity instruments | - | 817 | - | - | 817 |
| Other financial assets | - | - | 38,048 | 75,588 | 113,636 |
| **Current financial investments** | **-** | **817** | **38,048** | **75,588** | **114,453** |
| **Total** | **10** | **3,765** | **54,639** | **86,943** | **145,357** |

**2014 -**

| | Thousand of euros | | | |
|---|---|---|---|---|
| | Financial assets available for sale | Loans and receivables | Investments held to maturity | **Total** |
| Equity instruments | 156,326 | - | - | 156,326 |
| Other financial assets | - | 19,507 | 9,814 | 29,321 |
| **Non-current financial investments** | **156,326** | **19,507** | **9,814** | **185,647** |
| Equity instruments | 3,270 | - | - | 3,270 |
| Other financial assets | - | 12,501 | 112,115 | 124,616 |
| **Current financial investments** | **3,270** | **12,501** | **112,115** | **127,886** |
| **Total** | **159,596** | **32,008** | **121,929** | **313,533** |

**Non-current financial assets**

The changes in *"Non-current financial assets"* in the consolidated balance sheet in 2015 by type of transaction, were as follows:

| | Thousands of euros | | | | | |
|---|---|---|---|---|---|---|
| | Balance at 12/31/2014 | Translation / monetary adjustment | Changes in scope of consolidation | Additions / allowance | Disposals / Transfers | Balance at 12/31/2015 |
| **Loans and receivables** | **19,507** | **1,174** | **-** | **(2,305)** | **(1,785)** | **16,591** |
| Loans to associates | 31,776 | 775 | - | 2,505 | (293) | 34,763 |
| Long-term loans to third parties | 9,552 | 486 | - | 164 | (2,953) | 7,249 |
| Allowance | (21,821) | (87) | - | (4,974) | 1,461 | (25,421) |
| **Held-to-maturity investments** | **9,814** | **711** | **-** | **1,430** | **(600)** | **11,355** |
| Other financial liabilities at FV through P&L | - | **-** | **-** | **10** | **-** | **10** |
| **Available-for-sale financial assets** | **156,326** | **(15)** | **(81)** | **1,453** | **(154,735)** | **2,948** |
| Non-controlling equity interests | 162,002 | (55) | (81) | 1,453 | (154,968) | 8,351 |
| Other non-current financial assets | 52 | - | - | - | (30) | 22 |
| Allowance | (5,728) | 40 | - | - | 263 | (5,425) |
| **Total** | **185,647** | **1,870** | **(81)** | **588** | **(157,120)** | **30,904** |

The heading *"Loans and receivables"* includes the transfer to short- term of the remaining balance to be collected for the sale of Redprensa, S.L.U. in September 2013, amounting to EUR 1,790 thousand.

Additions to the provisions in *"Loans and receivables"*include impairment of the credit granted to Le Monde in the amount of EUR 1,283 thousand, with a net value at December 31, 2015 of EUR 9,070 thousand. The remainder is accounted for impairment of credits granted to radio companies in Panama.

The change in the heading *"Available for sale financial assets"* in 2015, is a consequence of the sale of 14,787,426 shares of Mediaset España, representing 3.63% of the capital share of the company, which generated a cash inflow of EUR 162,097 thousand, and a positive 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 16)*. Part of these proceeds from this sale has used to buy back a portion of its financial debt at a discount *(see note 12b)*.

The remaining stake is valued at fair value at December 31, 2015 (10.03 euros per share). Its value is EUR 1,046 thousand.

The changes in *"Non-current financial assets"* in the consolidated balance sheet in 2014 by type of transaction, were as follows:

| | Thousands of euros | | | | | |
|---|---|---|---|---|---|---|
| | Balance at 12/31/2013 | Translation / monetary adjustment | Changes in scope of consolidation | Additions / allowance | Disposals / Transfers | Balance at 12/31/2014 |
| **Loans and receivables** | **40,639** | **117** | **-** | **(3,218)** | **(18,031)** | **19,507** |
| Loans to associates | 20,415 | 112 | - | 7,752 | 3,497 | 31,776 |
| Long-term loans to third parties | 26,894 | - | - | 889 | (18,231) | 9,552 |
| Allowance | (6,670) | 5 | - | (11,859) | (3,297) | (21,821) |
| **Held-to-maturity investments** | **11,249** | **86** | **(19)** | **761** | **(2,263)** | **9,814** |
| **Available-for-sale financial assets** | **889** | **(12)** | **139,207** | **16,242** | **-** | **156,326** |
| Non-controlling equity interests | 8,760 | (34) | 139,207 | 16,369 | (2,300) | 162,002 |
| Other non-current financial assets | 47 | (1) | - | 6 | - | 52 |
| Allowance | (7,918) | 23 | - | (133) | 2,300 | (5,728) |
| **Total** | **52,777** | **191** | **139,188** | **13,785** | **(20,294)** | **185,647** |

The heading *"Loans and receivables"* included derecognition of a portion of the receivable from the sale of Redprensa, S.L.U. in September 2013, in the amount of EUR 4,551 thousand.

It also included the larger loan granted to Le Monde Libre Société en Commandité Simplé in the amount of EUR 5,317 thousand, and the interest accruing on the loan, EUR 1,541 thousand.

Additions to provisions included impairment of the credit granted to Le Monde in the amount of EUR 7,648 thousand, with a net value at 31 December 2014 of EUR 8,988 thousand. The remainder was accounted for impairment of credits granted to radio companies in USA and Panama.

The column *"Changes in the consolidation scope"* under the heading *"Available-for-sale financial assets - Non-controlling equity interests"* included the fair value of the stake in Mediaset at 8 September 2014, the date on which the Group deconsolidated its investment in this company using the equity method as it no longer exercised any significant influence over it following a 5% decrease in the stake. The difference up to fair value in December 2014 (EUR 10.445 per share) was shown in the *"Additions"* column, and was recognized under *"Other reserves"* in the accompanying consolidated balance sheet.

The *"Disposals/ Transfers"* column included EUR 12,217 thousand for the balance of the financial assets of DTS, Distribuidora de Televisión Digital, S.A. at June 30, 2014, the date on which the company's assets were reclassified under *"Non-current assets held for sale"* in the accompanying consolidated balance sheet *(see note 10).*

The carrying amount of the financial assets does not vary significantly from their fair value.

### b) Financial liabilities

The breakdown by category of financial liabilities at December 31, 2015 and 2014 is as follows:

**2015-**

| | Thousand of euros |
|---|---|
| | Debts and payables |
| Bank borrowings | 1,907,758 |
| Other financial liabilities | 131,822 |
| **Non-current financial liabilities** | **2,039,580** |
| Bank borrowings | 100,765 |
| Other financial liabilities | 23,117 |
| **Current financial liabilities** | **123,882** |
| **Total** | **2,163,462** |

**2014-**

| | Thousands of euros | | |
|---|---|---|---|
| | Other financial liabilities at FV through P&L | Debts and payables | **Total** |
| Bank borrowings | - | 2,645,505 | 2,645,505 |
| Derivatives | 158 | - | 158 |
| Other financial liabilities | - | 118,206 | 118,206 |
| **Non-current financial liabilities** | **158** | **2,763,711** | **2,763,869** |
| Bank borrowings | - | 108,756 | 108,756 |
| Other financial liabilities | 721 | 193 | 914 |
| **Current financial liabilities** | **721** | **108,949** | **109,670** |
| **Total** | **879** | **2,872,660** | **2,873,539** |

### Bank borrowings

The detail, in thousands of euros, of the bank borrowings at December 31, 2015, of the credit limits and of the scheduled maturities is as follows:

| | Maturity | Limit | Drawn-down amount maturing at short term | Drawn-down amount maturing at long term |
|---|---|---|---|---|
| Syndicated loan Prisa (Tranches 2 and 3) | 2018 - 2019 | 1,231,955 | - | 1,231,955 |
| Participative loan (PPL) | 2019 | 534,439 | - | 534,439 |
| Subordinated loan | 2020 | 31,126 | - | 31,126 |
| Credit facilities | 2016 - 2017 | 94,814 | 38,987 | - |
| Loans | 2016 - 2024 | 196,440 | 49,823 | 146,616 |
| Finance leases, interest and other | 2016 - 2019 | - | 12,054 | 11,791 |
| Loan arrangement costs | 2016 - 2019 | - | (100) | (48,169) |
| **Total** | | **2,088,774** | **100,765** | **1,907,758** |

Of the total bank borrowings at December 31, 2015, 95.86% were denominated in euros (96.93% at December 31, 2014) and the remainder in foreign currencies.

The average interest rates on the Group's bank borrowings were 3.44% in 2015 and 3.56% in 2014.

Of the total bank borrowings at December 31, 2015, 57.63% were linked to floating interest rates and the rest to fixed ones (44.56% to floating interest at December 31, 2014).

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

In accordance with IFRS 13, to determine the theoretical calculation of the fair value of the financial debt we used the Euribor curve and the discount factor supplied by the bank and the actual credit risk arising from a report provided by an independent expert regarding the transactions made in the secondary debt market once the refinancing process is completed (level 2 variables, estimates based on other observable market methods). The fair value of the Group's financial debt, according to this calculation, would amount to EUR 1,594,644 thousand at December 31, 2015 considering a 20.60% average discount over the real principal payment obligation to the creditor entities.

*Syndicated loan (Tranche 1)-*

In December 2013, as part of the refinancing of its financial debt, Prisa signed a syndicated financing agreement with a group of 16 financial investors for a maximum of EUR 353,261 thousand, with super senior status compared with the remainder of the refinanced debt, which was provided in full. Pursuant to the conditions for capitalization of the PIK on Tranche 1, debt increased in 2014 in this regard by EUR 18,524 thousand.

In May 2015, Prisa paid off Tranche 1 fully in the amount of EUR 385,542 thousand with part of the proceeds from the sale of 56% of DTS *(see note 3)*. This amount included EUR 13,757 thousand corresponding to accrued interest unpaid on the cancellation date and the capitalized PIK during 2015.

*Syndicated loan (Tranches 2 and 3)-*

In December 2013, as part of the refinancing of its financial debt, Prisa agreed to the renewal of its syndicated loan, bridge loan and bilateral loans in an amount of EUR 2,924,732 thousand. The debt renewal was structured into tranches as follows:

- EUR 646,739 thousand (Tranche 2) maturing at long-term (5 years) at an interest rate referenced to the Euribor plus a margin negotiated with the lenders; and

- EUR 2,277,993 thousand (Tranche 3) maturing at long-term (6 years) at an interest rate referenced to the Euribor plus a margin negotiated with the lenders (PIK);

*Tranche 2-*

In 2015, the company cancelled Tranche 2 debt in the amount of EUR 142,968 thousand with proceeds from the following transactions:

- With part of the proceeds from the sale of 3.63% of Mediaset España, Prisa repurchased debt at a discount in an amount of EUR 105,939 thousand, at an average discount of 14.4%.

- With part of the proceeds from the sale of 56% of Mediaset España, Prisa paid off EUR 25,517 thousand, at an average discount of 12.94%.

- With part of the proceeds from the sale of the general publishing business in 2014, debts of EUR 11,512 thousand were paid off.

Under the refinancing agreement subscribed by the company, the level of Tranche 2 debt for 2015 was set at EUR 956,512 thousand, following the mandatory cancellation of the total for Tranche 1 and the sale of the general publishing business.

To reach the new Tranche 2 debt level, after the partial cancellations described above, EUR 452,741 thousand of debt was transferred from Tranche 3 in 2015.

*Tranche 3-*

The refinancing agreement included a series of commitments to reduce Tranche 3 debt by EUR 900,000 thousand in 2015, and by an additional EUR 600,000 in 2016, and, at December 31, 2015, these commitments have been fulfilled in advance. Consequently, the following relevant financial commitment has been established for 2018, when Tranche 2 falls due.

The transactions carried out by the Group to meet its debt reduction commitments are as follows:

- Debt cancellation in an amount of EUR 776,675 thousand in 2014:

- Prisa repurchased debt in an amount of EUR 643,542 thousand, at an average discount of 25.70%, with the net proceeds from the sale of 13.68% of Mediaset España.
- Debt was repurchased in an amount of EUR 133.133 thousand, at a discount of 25%, with the amount from the capital increase subscribed by Occher.

- Debt cancellation in an amount of EUR 305,405 thousand in 2015:

    - Prisa repurchased discounted debt in an amount of EUR 94,685 thousand, at an average discount of 22.61% with part of the net proceeds from the sale of 3.63% of Mediaset España.
    - With part of the proceeds from the sale of 56% of DTS, Prisa paid off EUR 210,720 thousand, of which an amount of EUR 71,168 thousand was cancelled at a discount of 13.07%.

- Meanwhile, as provided for in the refinancing agreement, the mandatory cancellation of the total of Tranche 1 with the proceeds from the sale of DTS and the partial cancellation of part of Tranche 2 with the transactions described above gave rise to the transfer of EUR 452,741 thousand of Tranche 3 to Tranche 2 during 2015.

In addition, as described below, due to the equity position of the parent company as a result of the sale of 56% of DTS, in September 2014 and in April 2015 the automatic debt conversion processes of Tranche 3 were formalized into participating loans in an amount of EUR 506,834 thousand and EUR 19,750 thousand respectively, as provided for in the company refinancing agreement.

Pursuant to the conditions for capitalization of the PIK on Tranche 3, in 2015, debt increased in this regard by EUR 15,511 thousand (EUR 34,957 thousand in 2014).

Following the movements described above, the amount of Tranche 3 stood at EUR 275,443 thousand (EUR 1,029,440 thousand at December 31, 2014).

*Participating Loan (PPL)-*

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

In a bid to restore the equity balance, and in accordance with financing agreements of the Group, the automatic mechanism was again deployed to convert part of Tranche 3 of company debt into participating loans, in such a way that, on September 15, 2014, the process of converting debt into participating loans was formalized in an amount of EUR 506,834 thousand, and implied the reestablishment of the equity balance.

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 Parent Company with respect to the cause of dissolution and/or reduction of capital stipulated in

Spain's Corporate Enterprises Act (including participating loans outstanding at year end) stood at EUR 31,554 thousand.

In order to restore the equity balance, the mechanism was again used to automatically convert part of Tranche 3 of the company's debt into participating loans. On April 20, 2015, an amount of EUR 19,750 thousand of Tranche 3 was converted into participating loans, after consideration of the transactions executed up until that date designed to reduce this amount as much as possible.

The financial cost of the Participating Loan (PPL) is identical to that for Tranche 3. In 2015, capitalized PIK increased debt by EUR 13,146 thousand (EUR 3,097 thousand in 2014). The participating loan balance at December 31, 2015 amounted to EUR 534,439 thousand (EUR 509,931 thousand at December 31, 2014).

Compliance with certain financial ratios is established in the financial agreements. The Group's directors consider that these ratios were fulfilled at December 31, 2015.

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

The guarantee structure for Tranches 2, 3 and 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.

Also, Prisa Radio, S.A. and Vertix, SGPS, S.A. guarantee 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:
  - EUR 1,314,706 thousand; 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 EUR 600,000.

*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 Educación Global, 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.

*Subordinated Debt -*

This debt originates from interest, known as “coupons”, on the convertible bonds subscribed in 2012 by HSBC, Caixa and Santander, in their capacities as the company’s bank lenders, payable in July 2013 and July 2014.

On June 10, 2013, as part of the refinancing process, HSBC, Caixa and Santander agreed for the payment of this interest to take place solely on the date for the mandatory reconversion of the bonds, namely July 7, 2014. Upon maturity of the convertible bonds and their corresponding coupons, Prisa and its bank creditors (HSBC, Caixa and Santander) agreed to convert the amount of this capitalized interest into subordinated debt. On December 31, 2014, the parties subscribed to a subordinated loan in an amount of EUR 31,094 thousand, which is recognized under “*Non-current bank borrowings*” on the accompanying consolidated balance sheet.

This debt is contractually subordinated to payment of the remainder of the debt on Prisa’s Tranches 2 and 3 (and not therefore subordinated to any other Prisa debt). It falls due at least 12 months after all the sums outstanding pursuant to the refinancing contracts have been repaid in full.

Its cost is the margin negotiated with the lenders, and the annually fixed capitalized cost (PIK). The debt increased by EUR 32 thousand on account of this in 2015.

*Credit facilities-*

Credit facilities include mainly the amounts drawn down against credit lines used to finance the Prisa Group companies' operating requirements outside Spain. Borrowing facilities maturing in 2016 total EUR 38,987 thousand and are recognized under *“Current bank* *borrowings*" on the accompanying consolidated balance sheet. The interest rate applicable to these credit facilities is Euribor or Libor plus a market spread.

**Derivative financial instruments**

The Prisa Group arranges derivative financial instruments with Spanish and international banks with high credit ratings.

The objective of these interest rate hedges is to mitigate, by arranging swaps and option combinations, the fluctuations in cash outflows in respect of payments tied to floating interest rates (Euribor) on borrowings.

*Interest rate derivatives-*

In order to determine the fair value of the derivatives, the Prisa Group uses valuations provided by financial entities by applying the group's credit risk provided by an independent expert.

The interest rate derivatives arranged by the Prisa Group have reached maturity before December 31, 2015, no new signing of derivatives has occurred. The cancellation has not had a significant effect on the accompanying consolidated income statement.

The outstanding interest rate derivatives at December 31, 2014 had negative fair value of EUR 879 thousand.

*Foreign currency derivatives-*

In 2015, the Group arranged foreign currency hedges in order to mitigate exposure to exchange rate fluctuations.

In order to determine the fair value of the derivatives, the Prisa Group uses valuations provided by financial entities by applying the group's credit risk provided by an independent expert.

| Company | Instrument | Expiry | Nominal value: Thousands of USD | Nominal value: Thousands of euros | Fair value (thousands of euros) |
|---|---|---|---|---|---|
| Editora Moderna, LTDA | Forward | 2016 | 2,546 | 2,342 | 378 |
| Editora Moderna, LTDA | Forward | 2016 | 6,000 | 5,516 | (40) |
| Grupo Santillana | Forward | 2016 | 10,000 | 9,194 | 313 |
| Grupo Santillana | Forward | 2016 | 15,833 | 14,556 | 330 |
| | | | **34,379** | **31,608** | **981** |

*Analysis of sensitivity to exchange rates*

The changes in the fair value of the foreign currency hedges arranged by the Prisa Group depend on fluctuations in the EUR/USD and USD/BRL exchange rates.

Following is a detail, in thousands of euros, of the sensitivity (changes in fair value) of the foreign currency hedges:

| **Sensitivity (before tax)** | **12/31/2015** |
|---|---|
| +10% (increase in USD exchange rate) | 2,873 |
| -10% (decrease in USD exchange rate) | (3,512) |

The sensitivity analysis shows that the positive fair value of the foreign currency derivatives increases in the event of increases in exchange rates, whereas the fair value of the derivatives decreases in the event of decreases in exchange rates.

*Liquidity and interest rate risk tables*

The management of liquidity risk includes the detailed monitoring of the repayment schedule of the Group's borrowings and the maintenance of credit lines and other financing channels that enable it to cover foreseeable cash needs at short, medium and long term.

The table below details the liquidity analysis of the Prisa Group in 2015 in relation to its bank borrowings, which represent substantially all the non-derivative financial liabilities. The table was prepared using the cash outflows not discounted with respect to their scheduled maturity dates; when it is expected that the outflows will take place prior to the contractually stipulated dates. The flows include both the expected repayments and interest payments. When the settlement is not fixed, the amount was determined using the underlings calculated based on the interest rate curves at the end of 2015.

| Maturity | Thousands of euros | Floating euro rates |
|---|---|---|
| Within 3 months | 88,110 | 0.00% |
| From 3 to 6 months | 20,731 | 0.00% |
| From 6 to 9 months | 32,083 | 0.00% |
| From 9 to 12 months | 16,777 | 0.00% |
| From 1 to 2 years | 92,154 | 0.00% |
| From 2 to 3 years | 1,032,308 | 0.00% |
| After 3 years | 917,349 | 0.25% |
| **Total** | **2,199,512** | |

*Fair value of financial instruments: applicable valuation techniques and assumptions for measuring fair value*

The financial instruments are grouped together on three levels based on the degree to which the fair value is observable.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

- Level 3: those determinable on the basis of valuation techniques, which include inputs for the asset and liability that are not based on observable market data (unobservable inputs).

The Prisa Group's interest rate derivatives are classified as level-2 derivatives.

***Other financial liabilities***

*"Financial liabilities"* mainly include a financial liability for the obligation to pay preferential dividends in an annual minimum amount to DLJSAP for its stake in Grupo Santillana Educación Global, S.L.

The sale of 25% of Grupo Santillana Educación Global, S.L.'s share capital in 2010 included the obligation to pay a preferential dividend of at least USD 25.8 million per year.

Therefore, at December 31, 2015, the Group recognized a financial liability of EUR 131,822 thousand (December 31, 2014: EUR 118,206 thousand), calculated as the present value of the preferential annual dividends discounted at the interest rate applicable to credit instruments with similar characteristics. These liabilities are in USD, and therefore, differences arising from exchange rate fluctuations are recognized as finance income in the consolidated income statement.

In addition, the heading "*Current financial liabilities*" included, at December 31, 2015, the accrued amount of the obligation to pay the preferred dividend for 2015 amounting to EUR 23,107 thousand.

## 13) LONG-TERM PROVISIONS

The changes in 2015 in "*Long-term provisions"* were as follows:

| | Thousands of euros | | | | | |
|---|---|---|---|---|---|---|
| | Balance at 12/31/2014 | Translation adjustment | Charge for the year | Amounts used /Disposals | Transfers | Balance at 12/31/2015 |
| For taxes | 85,064 | (112) | 109 | (58,216) | 131 | 26,976 |
| For third-party liability and other | 30,900 | (1,208) | 11,725 | (9,726) | 1,079 | 32,770 |
| **Total** | **115,964** | **(1,320)** | **11,834** | **(67,942)** | **1,210** | **59,746** |

The changes in 2014 in "*Long-term provisions"* were as follows:

| | Thousands of euros | | | | | | |
|---|---|---|---|---|---|---|---|
| | Balance at 12/31/2013 | Translation adjustment | Changes in scope of consolidation | Charge for the year | Amounts used /Disposals | Transfers | Balance at 12/31/2014 |
| For taxes | 70,128 | 19 | - | 15,434 | (293) | (224) | 85,064 |
| For third-party liability and other | 25,092 | (21) | (379) | 15,998 | (10,884) | 1,094 | 30,900 |
| **Total** | **95,220** | **(2)** | **(379)** | **31,432** | **(11,177)** | **870** | **115,964** |

The *"Provision for taxes"* relates to the estimated amount of tax debts arising from the tax audit carried out at various Group companies.

In 2015, part of the provision for taxes amounting to EUR 57,359 thousand was used to write off advance tax assessments recorded in the deferred tax asset *(see note 19)*.

Charge for year 2014 corresponded to interests related to income tax for 1999, 2000 and 2001 procedures, as the Central Economic-Administrative Tribunal (TEAC) dismissed the appeal (*see note 19*).

The *"Provision for third-party liability"* relates to the estimated amount required to meet possible claims and litigation brought against Group companies.

This item also includes the provision booked in the previous years to record the downsizing processes *(see note 15)*. In 2015, the Group booked an additional provision for this item of EUR 4,645 thousand (December 31, 2014: EUR 10,621 thousand) and used EUR 4,232 thousand (December 31, 2014: EUR 9,130 thousand) as a result of indemnity payments and commercial paper issuances, and the provision amount for this item was EUR 15,047 thousand at December 31, 2015 (December 31, 2014: EUR 15,979 thousand). The Group expects to use this provision in the next two years.

In view of the nature of the contingencies covered by these provisions, it is not possible to determine a reasonable payment schedule, if indeed there is one, or their financial effect. However, the Prisa Group's legal advisers and directors consider that the outcome of these procedures and claims will not have a significant effect on the consolidated financial statements for the years in which they come to an end additional to the amount provisioned in the accounting records.

The breakdown of the charge in the consolidated income statement is as follows:

| | Thousands of euros | |
|---|---|---|
| | 2015 | 2014 |
| Termination benefits | 4,645 | 10,621 |
| Other staff costs | 3,838 | 1,798 |
| Taxes | 109 | 15,373 |
| Other | 3,242 | 3,579 |
| **Total** | **11,834** | **31,432** |

At December 31, 2015, the Group had ownership interests in companies accounted for using the equity method, the negative net value of which is recognized under *"Long-term provisions"* in the accompanying consolidated balance sheet, the detail being as follows *(see note 8)*:

| | Thousands of euros |
|---|---|
| WSUA Broadcasting Corporation | 1,205 |
| Green Emerald Business, Inc. | 1,777 |
| Other | 2,509 |
| **Total** | **5,491** |

## 14) OPERATING INCOME

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

| | Thousands of euros | |
|---|---|---|
| | 12/31/2015 | 12/31/2014 |
| Advertising sales and sponsorship | 497,558 | 490,396 |
| Sales of books and training | 630,689 | 673,204 |
| Newspaper and magazine sales | 96,130 | 106,806 |
| Sales of add-ons and collections | 18,591 | 28,196 |
| Sale of audiovisual rights and programs | 28,440 | 24,249 |
| Intermediation services | 7,780 | 8,160 |
| Other services | 68,818 | 77,204 |
| **Revenue** | **1,348,006** | **1,408,215** |
| Income from non-current assets | 5,990 | 24,958 |
| Other income | 20,066 | 21,555 |
| **Other income** | **26,056** | **46,513** |
| **Total operating income** | **1,374,062** | **1,454,728** |

The most significant exchange transactions occurred under *"Advertising sales and sponsorship"* and the most significant segments were radio and press, whose exchanges with third parties amounted to EUR 9,190 thousand in 2015 (December 31, 2014: EUR 12,245 thousand).

## 15) OPERATING EXPENSES

### Staff costs

The detail of *"Staff costs"* is as follows:

| | Thousands of euros | |
|---|---|---|
| | 12/31/2015 | 12/31/2014 |
| Wages and salaries | 305,423 | 312,817 |
| Employee benefit costs | 60,203 | 64,201 |
| Termination benefits | 29,761 | 38,340 |
| Other employee benefit costs | 17,386 | 17,884 |
| **Total** | **412,773** | **433,242** |

Cost of termination benefits corresponds to different processes of regularization of employment addressed by the group, mainly in radio and press business units in Spain during 2015 and 2014.

The average number of employees of the Group and the number of employees at December 2015 and 2014, by professional category, was as follows:

| | 2015 | | 2014 | |
|---|---|---|---|---|
| | Average | Final | Average | Final |
| Executives | 371 | 379 | 412 | 395 |
| Middle management | 1,148 | 1,151 | 1,287 | 1,234 |
| Other employees | 7,127 | 7,255 | 8,894 | 8,569 |
| **Total** | **8,646** | **8,785** | **10,593** | **10,198** |

The breakdown of the average number of employees, by gender, was as follows:

| | 12/31/2015 | | 12/31/2014 | |
|---|---|---|---|---|
| | Women | Men | Women | Men |
| Executives | 109 | 261 | 118 | 294 |
| Middle management | 470 | 678 | 503 | 784 |
| Other employees | 3,241 | 3,885 | 4,257 | 4,637 |
| **Total** | **3,821** | **4,825** | **4,878** | **5,715** |

The breakdown of the number of employees, by gender, was as follows:

| | 12/31/2015 | | 12/31/2014 | |
|---|---|---|---|---|
| | Women | Men | Women | Men |
| Executives | 112 | 267 | 111 | 284 |
| Middle management | 478 | 673 | 484 | 750 |
| Other employees | 3,421 | 3,834 | 4,050 | 4,519 |
| **Total** | **4,011** | **4,774** | **4,645** | **5,553** |

The figures for 2014 included staff of DTS. The breakdown of the DTS workforce was as follows:

| | Average | | Final | |
|---|---|---|---|---|
| | Women | Men | Women | Men |
| Executives | 4 | 20 | 4 | 21 |
| Middle management | 39 | 60 | 39 | 59 |
| Other employees | 1,020 | 590 | 953 | 570 |
| **Total** | **1,063** | **670** | **996** | **650** |

**Transactions with payments based on equity instruments**

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

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

When the choice of director is partial payment in shares of Prisa, they are delivered quarterly. It is recognized an expense for this item on the income statement for 2015 in the amount of EUR 217.5 thousand.

The 26,352 shares accrued in this category over that period have not yet been fully delivered.

In September 2015 Prisa delivered 5,372 shares, in partial payment of the fixed compensation of external directors for the fourth quarter of 2014. The corresponding expense was entered in the profit and loss account for 2014.

ii) Variable annual compensation (annual bonus) of the inside directors of the Company and the Executives of the Prisa Group, when it has been resolved that it will be paid in whole or in part in Prisa shares:

iii) Long term variable compensation (long term incentive) of inside directors of the Company and the Executives of the Prisa Group:

- In 2015 the Nominating and Compensation Committee approved payment in shares for the 2012/2014 period of the long term incentive of certain executives of companies in the Prisa Group that was passed at the 2011 General Shareholders Meeting. One of these directors, Mr José Luis Sainz Díaz, executive director of the Company), has received 368,503 shares of the Company (number of old shares of the Company that after the reverse split and exchange of shares made on 22 May 2015, are equivalent to 12,283 new shares).

  In 2015 the Company delivered 10,182,455 shares in this category (number of old shares of the Company that after the reverse split and exchange of shares made on 22 May 2015, are equivalent to 339,415 new shares). The total amount of these shares is 5,264 thousand euros that were recorded as an expense in the profit and loss account for the periods of validity of the plan.

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

  For this item Prisa entered an expense and the amount of EUR 2,289 thousand in the profit and loss account for 2015. Calculation of ILP and payment in cash and delivery of shares will occur in 2017, on the terms and conditions established, on proposal of the Nominating and Compensation Committee, by the Board of Directors, which will determine the specific date of delivery of the shares and payment of the cash amount.

  Of the three inside directors, only Mr. Manuel Polanco Moreno is a current beneficiary of the ILP.

- In the profit and loss account for 2015 there is an expense in the amount of EUR 250 thousand, in the category of variable multiyear incentive of the Executive Chairman, Mr. Juan Luis Cebrián Echarri. It is payable in shares of Prisa, from January 2016, subject to certain conditions.

- Pursuant to the terms of his contract with the Company, the inside director Mr. José Luis Sainz will be entitled to receive a multi-year variable incentive, payable in shares of Prisa, subject to fulfilment of the strategic plans of the Company and his personal performance, for the 2014-2016 and 2017-2018 periods. In the profit and loss account for 2015 there is an expense in the amount of EUR 167 thousand in this category.

**Outside services**

The detail of *"Outside services"* in 2015 and 2014 is as follows:

| | Thousands of euros | |
|---|---|---|
| | 12/31/2015 | 12/31/2014 |
| Independent professional services | 121,568 | 129,218 |
| Leases and fees | 58,395 | 56,335 |
| Advertising | 59,774 | 63,721 |
| Intellectual property | 32,517 | 39,603 |
| Transport | 38,066 | 47,843 |
| Other outside services | 189,254 | 239,932 |
| **Total** | **499,574** | **576,652** |

In 2014, "*Other outside services*" included EUR 44,989 thousands registered by Audiovisual Sport, S.L. as a consequence of the register of the judgement of The Supreme Court in relation with the exploitation of the Football League rights.

**Fees paid to auditors**

The fees for financial audit services relating to the 2015 financial statements of the various companies composing the Prisa Group and subsidiaries provided by Deloitte, S.L. and by other entities related to the auditor amounted to EUR 1,530 thousand (2014: EUR 1,775 thousand), of which EUR 180 thousand relate to Prisa (2014: EUR: 180 thousand). Also, the fees relating to other auditors involved in the 2015 audit of the various Group companies amounted to EUR 343 thousand (2014: EUR 269 thousand).

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

| | 2015 | | 2014 | |
|---|---|---|---|---|
| | Auditor of accounts and related parties | Other audit firms | Auditor of accounts and related parties | Other audit firms |
| Other verification services | 548 | 98 | 539 | 162 |
| Tax advisory services | 396 | 362 | 461 | 108 |
| Other services | 102 | 306 | 395 | 348 |
| **Other professional services** | **1,046** | **766** | **1,395** | **618** |

Fees for professional services provided to Group companies by the auditing firms are registered under "*Outside services*".

**Operating leases**

Various assets and services used by the Group are held under operating leases, the most significant of which are the buildings in Gran Vía 32, Miguel Yuste, Tres Cantos, Caspe and

Queluz de Baixo(Portugal), the radio frequencies (the most important lease relates to Media Latina) and TV studios in Portugal. The schedule for the minimum lease payments arising from these leases is as follows:

| Year | Thousands of euros |
|---|---|
| 2016 | 25,328 |
| 2017 | 24,738 |
| 2018 | 24,830 |
| 2019 | 25,003 |
| 2020 | 22,592 |
| 2021 and beyond | 131,423 |
| | **253,914** |

The lease contracts for the Gran Vía 32 and Miguel Yuste properties have a term of twenty-five years until July 2033, at the end of which no further extensions will be made unless an agreement is reached in this regard by the parties. The Queluz lease contract expires in 2019 and the lease contract for Tres Cantos has an obligatory period of 5 years, until April 30, 2020. The lease expense for properties in 2015 amounted to EUR 24,734 thousand (EUR 26,681 thousand in 2014) and was recognized under *"Outside services - Leases and fees*".

Radio frequencies are leased from Media Latina expires in June 2021. The lease expense for 2015 in this connection amounted to EUR 6,782 thousand (2014: EUR 6,782 thousand), recognized under *"Outside services – Leases and fees."*

**Change in allowances, write-downs and provisions**

The detail of the *"Change in allowances, write-downs and provisions"* is as follows:

| | Thousands of euros | |
|---|---|---|
| | 12/31/2015 | 12/31/2014 |
| Change in operating allowances | 22,396 | 10,773 |
| Change in inventory write-downs | 10,838 | 9,499 |
| Change in provision for sales returns | 1,178 | (484) |
| **Total** | **34,412** | **19,788** |

## 16) FINANCIAL LOSS

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

| | Thousands of euros | |
|---|---|---|
| | 12/31/2015 | 12/31/2014 |
| Income from current financial assets | 25,095 | 1,996 |
| Income from equity investments | 218 | 51 |
| Other finance income | 48,807 | 208,843 |
| **Finance income** | **74,120** | **210,890** |
| Interest on debt | (81,884) | (114,681) |
| Finance costs on hedging transactions | (748) | (1,488) |
| Adjustments for inflation | (1,707) | (5,672) |
| Loan arrangement costs | (59,128) | (76,065) |
| Other finance costs | (27,133) | (38,645) |
| **Finance costs** | **(170,600)** | **(236,551)** |
| Exchange gains | 22,568 | 20,148 |
| Exchange losses | (35,777) | (35,425) |
| **Exchange differences (net)** | **(13,209)** | **(15,277)** |
| **Change in fair value of financial instruments** | **884** | **1,874** |
| **Financial loss** | **(108,805)** | **(39,064)** |

In 2015, 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 12a)*.

In 2015 and 2014, *"Other finance income"* included capital gains on purchases of debt at a discount using the proceeds of the sale of Mediaset España, DTS and the share capital increase subscribed by Occher *(see note 12b)*.

Both in 2015 and in 2014, "*Loan arrangement costs*" include not only the costs accrued during the year but also the low costs associated with the cancelled debt.

## 17) DISCONTINUED OPERATIONS

On December 31, 2014, as a result of the formalization of the agreement for the sale of 56% of DTS, the result of DTS and the result of this transaction were registered in the accompanying consolidated income statements as *"Result after tax from discontinued operations"*. The detail of this result is as follows:

| | Thousands of euros |
|---|---|
| | 12/31/2014 |
| **Operating revenues-** | **1,160,128** |
| Revenues | 1,149,890 |
| Other income | 10,238 |
| **Operating expenses-** *(see note 15)* | **(1,220,098)** |
| Cost of materials used | (871,526) |
| Staff costs | (75,993) |
| Depreciation and amortisation charge | (69,859) |
| Outside services | (186,738) |
| Variation in operating allowances | (16,187) |
| Other expenses | 205 |
| **Loss from operation** | **(59,970)** |
| Financial results | (21,653) |
| Expense tax | (126,118) |
| **Loss after tax from discontinued operations** | **(207,741)** |

The formalization of the agreement for the sale of 56% of DTS resulted into an accounting loss of EUR 2,088,710 thousand in the consolidated Prisa Group accounts on December 31, 2014, registered under the line *"Loss after tax from discontinued operations*".

During 2015, the execution of the aforementioned agreement has not been a significant impact on the accompanying consolidated income statement.

## 18) BUSINESS SEGMENTS

Segment reporting is structured on a primary basis by business segment and on a secondary basis by geographical segment.

The business segments were determined based on the Prisa Group's organizational structure at year-end 2015 considering the nature of the products and services offered, and the customer segments which they target.

At December 31, 2015, Prisa's operations are divided into four main businesses:

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

audiovisual production of the Portuguese subsidiary Grupo Media Capital, SGPS, S.A.

The column "Others" includes Vertix, SGPS, S.A, Prisa Tecnología, S.L., Prisa Brand Solutions, S.L.U. y sociedades dependientes, Promotora de Informaciones, S.A., Promotora de Actividades América 2010, S.L., Promotora de Actividades América 2010 - México, S.A. de C.V., Audiovisual Sport, S.L, Prisa Gestión de Servicios, S.L., Prisa Audiovisual, S.L.U., Promotora Audiovisual de Colombia PACSA, S.A., Prisa División Internacional, S.L., Prisa Finance (Netherlands) BV, Promotora de Actividades Audiovisuales de Colombia, Ltda., Prisa Participadas, S.L., Prisaprint, S.L., Promotora de Emisoras, S.L, Promotora de Emisoras de Televisión, S.A., Prisa Inc. and GLP Colombia, Ltda.

Segment information about these businesses for 2015 and 2014 is presented below. The column "*Eliminations and adjustments*" mainly includes transactions between group companies:

| | EDUCATION | | RADIO | | PRESS | | AUDIOVISUAL (MEDIA CAPITAL) | | OTHERS | | ELIMINATIONS AND ADJUSTMENTS | | PRISA GROUP | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 12.31.2015 | 12.31.2014 | 12.31.2015 | 12.31.2014 | 12.31.2015 | 12.31.2014 | 12.31.2015 | 12.31.2014 | 12.31.2015 | 12.31.2014 | 12.31.2015 | 12.31.2014 | 12.31.2015 | 12.31.2014 |
| **Operating income** | **642,816** | **716,641** | **314,764** | **305,136** | **241,265** | **260,224** | **174,386** | **179,773** | **54,715** | **53,287** | **(53,884)** | **(60,333)** | **1,374,062** | **1,454,728** |
| **- External sales** | **642,504** | **709,974** | **307,638** | **296,894** | **198,976** | **221,107** | **173,651** | **177,940** | **50,772** | **41,338** | **521** | **7,475** | **1,374,062** | **1,454,728** |
| - Advertising | 0 | 0 | 272,190 | 266,893 | 69,385 | 74,309 | 116,574 | 114,108 | 39,409 | 35,086 | 0 | 0 | 497,558 | 490,396 |
| - Books and training | 630,689 | 673,204 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 630,689 | 673,204 |
| - Newspapers and magazines | 0 | 0 | 0 | 0 | 96,130 | 106,806 | 0 | 0 | 0 | 0 | 0 | 0 | 96,130 | 106,806 |
| - Sale of audiovisual rights and programs | 0 | 0 | 832 | 2 | 0 | 0 | 27,372 | 23,759 | 236 | 0 | 0 | 0 | 28,440 | 23,761 |
| - Other | 11,815 | 36,770 | 34,616 | 29,999 | 33,461 | 39,992 | 29,705 | 40,073 | 11,127 | 6,252 | 521 | 7,475 | 121,245 | 160,561 |
| **- Intersegment sales** | **312** | **6,667** | **7,126** | **8,242** | **42,289** | **39,117** | **735** | **1,833** | **3,943** | **11,949** | **(54,405)** | **(67,808)** | **0** | **0** |
| - Advertising | 0 | 0 | 6,332 | 6,026 | 41,755 | 35,063 | 0 | 18 | (39,320) | (34,958) | (8,767) | (6,149) | 0 | 0 |
| - Books and training | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| - Newspapers and magazines | 0 | 0 | 0 | 0 | 0 | 2,190 | 0 | 0 | 0 | 0 | 0 | (2,190) | 0 | 0 |
| - Sale of audiovisual rights and programs | 0 | 0 | 13 | 0 | 0 | 0 | 607 | 1,772 | 89 | 0 | (709) | (1,772) | 0 | 0 |
| - Other | 312 | 6,667 | 781 | 2,216 | 534 | 1,864 | 128 | 43 | 43,174 | 46,907 | (44,929) | (57,697) | 0 | 0 |
| **Operating expenses** | **(554,117)** | **(631,496)** | **(272,485)** | **(280,314)** | **(247,728)** | **(281,818)** | **(143,429)** | **(147,338)** | **(96,923)** | **(163,884)** | **61,448** | **78,842** | **(1,253,234)** | **(1,426,008)** |
| - Cost of materials used | (143,139) | (175,119) | (1,640) | (2,863) | (53,727) | (64,394) | (18,689) | (24,971) | (81) | (59) | 4,497 | 6,826 | (212,779) | (260,580) |
| - Staff costs | (150,046) | (169,140) | (108,731) | (106,306) | (67,889) | (74,208) | (43,008) | (45,179) | (43,099) | (38,408) | 0 | (1) | (412,773) | (433,242) |
| - Depreciations and amortisation charge | (59,311) | (60,189) | (6,777) | (9,619) | (7,111) | (14,572) | (9,176) | (8,477) | (8,236) | (9,681) | 0 | 1 | (90,611) | (102,537) |
| - Outside services | (182,231) | (201,465) | (149,650) | (150,213) | (113,248) | (120,167) | (71,144) | (67,510) | (31,937) | (43,215) | 48,636 | 5,918 | (499,574) | (576,652) |
| - Change in operating provisions | (15,135) | (13,779) | (5,782) | (2,287) | (5,619) | (2,484) | (743) | (1,191) | (5,174) | (48) | (1,959) | 1 | (34,412) | (19,788) |
| - Changes in valuation allowances to Group companies | 0 | 0 | (7) | 0 | 0 | 0 | 0 | 0 | (8,394) | (66,766) | 8,401 | 66,766 | 0 | 0 |
| - Other expenses | (4,255) | (11,894) | 102 | (9,669) | (134) | (6,004) | (668) | (10) | (4) | (5,712) | 10,274 | (669) | (3,085) | (33,981) |
| **Profit from operations** | **88,699** | **85,145** | **42,279** | **24,822** | **(6,463)** | **(21,594)** | **30,957** | **32,435** | **(42,208)** | **(110,597)** | **7,564** | **18,509** | **120,828** | **28,720** |
| **Finance income** | **4,127** | **4,365** | **477** | **554** | **1,294** | **3,643** | **31** | **147** | **121,342** | **261,518** | **(52,261)** | **(57,440)** | **75,010** | **212,787** |
| **Finance costs** | **(43,923)** | **(44,171)** | **(8,862)** | **(9,813)** | **(1,322)** | **(8,986)** | **(6,082)** | **(8,204)** | **(144,746)** | **(199,717)** | **34,329** | **34,316** | **(170,606)** | **(236,575)** |
| - Interest expenses | (13,398) | (12,192) | (1,492) | (1,786) | (17) | (524) | (5,587) | (7,420) | (72,503) | (107,615) | 11,113 | 14,856 | (81,884) | (114,681) |
| - Other financial expenses | (30,525) | (31,979) | (7,370) | (8,027) | (1,305) | (8,462) | (495) | (784) | (72,243) | (92,102) | 23,216 | 19,460 | (88,722) | (121,894) |
| **Exchange differences (net)** | **(15,347)** | **(17,555)** | **2,145** | **1,838** | **(374)** | **(47)** | **375** | **352** | **(8)** | **136** | **0** | **0** | **(13,209)** | **(15,276)** |
| **Financial profit (loss)** | **(55,143)** | **(57,361)** | **(6,240)** | **(7,421)** | **(402)** | **(5,390)** | **(5,676)** | **(7,705)** | **(23,412)** | **61,937** | **(17,932)** | **(23,124)** | **(108,805)** | **(39,064)** |
| Result of companies accounted for using the equity method | 0 | (16) | 5,253 | 8,551 | 110 | (36) | (230) | 132 | 152 | 0 | (1,130) | 27,542 | 4,155 | 36,173 |
| Loss from other investments | 0 | 2 | 0 | (43) | 0 | 0 | 0 | 0 | 0 | 11,023 | 0 | (11,116) | 0 | (134) |
| **Profit before tax from continuing operations** | **33,556** | **27,770** | **41,292** | **25,909** | **(6,755)** | **(27,020)** | **25,051** | **24,862** | **(65,468)** | **(37,637)** | **(11,498)** | **11,811** | **16,178** | **25,695** |
| Income tax | (26,297) | (21,802) | (18,484) | (19,251) | (2,639) | (7,314) | (7,751) | (8,388) | 76,373 | (91,339) | 4,121 | 15,487 | 25,323 | (132,607) |
| **Profit from continuing operations** | **7,259** | **5,968** | **22,808** | **6,658** | **(9,394)** | **(34,334)** | **17,300** | **16,474** | **10,905** | **(128,976)** | **(7,377)** | **27,298** | **41,501** | **(106,912)** |
| **Profit after tax from discontinued operations** | **(92)** | **(104)** | **0** | **0** | **0** | **(466)** | **0** | **0** | **(3,310)** | **(1,003,877)** | 718 | (1,198,557) | **(2,684)** | **(2,203,004)** |
| **Consolidated profit for the year** | **7,167** | **5,864** | **22,808** | **6,658** | **(9,394)** | **(34,800)** | **17,300** | **16,474** | **7,595** | **(1,132,853)** | **(6,659)** | **(1,171,259)** | **38,817** | **(2,309,916)** |
| Non-controling interests | **(15)** | **(58)** | **(5,152)** | **(4,219)** | **(950)** | **(872)** | **0** | **0** | **80** | **209,960** | (27,486) | (131,727) | **(33,523)** | **73,084** |
| **Profit atributable to the Parent** | **7,152** | **5,806** | **17,656** | **2,439** | **(10,344)** | **(35,672)** | **17,300** | **16,474** | **7,675** | **(922,893)** | **(34,145)** | **(1,302,986)** | **5,294** | **(2,236,832)** |

| | EDUCATION | | RADIO | | PRESS | | AUDIOVISUAL (MEDIA CAPITAL) | | OTHERS | | ELIMINATIONS AND ADJUSTMENTS | | PRISA GROUP | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 12.31.2015 | 12.31.2014 | 12.31.2015 | 12.31.2014 | 12.31.2015 | 12.31.2014 | 12.31.2015 | 12.31.2014 | 12.31.2015 | 12.31.2014 | 12.31.2015 | 12.31.2014 | 12.31.2015 | 12.31.2014 |
| **BALANCE SHEET** | | | | | | | | | | | | | | |
| **Assets** | **548,137** | **613,360** | **417,406** | **430,604** | **165,410** | **185,720** | **328,001** | **332,042** | **3,446,258** | **5,513,064** | **(2,541,820)** | **(3,483,220)** | **2,363,392** | **3,591,570** |
| - Non-current (except accounted for using the equity method) | 212,562 | 253,364 | 229,321 | 235,265 | 75,522 | 83,021 | 186,427 | 187,429 | 2,748,208 | 2,954,323 | (2,158,148) | (2,222,738) | 1,293,892 | 1,490,664 |
| - Investments accounted for using the equity method | 0 | 0 | 46,553 | 49,956 | (125) | (921) | 5,056 | 5,145 | (159) | 0 | (8,484) | (8,095) | 42,841 | 46,085 |
| - Current | 335,575 | 359,996 | 141,486 | 145,327 | 90,013 | 103,620 | 136,517 | 139,468 | 698,208 | 575,007 | (375,187) | (387,407) | 1,026,612 | 936,011 |
| - Assets classified as held for sale | 0 | 0 | 47 | 56 | 0 | 0 | 0 | 0 | 0 | 1,983,734 | 0 | (864,980) | 47 | 1,118,810 |
| **Equity and liabilities** | **548,137** | **613,360** | **417,406** | **430,604** | **165,410** | **185,720** | **328,001** | **332,042** | **3,446,258** | **5,513,064** | **(2,541,820)** | **(3,483,220)** | **2,363,392** | **3,591,570** |
| - Equity | 49,102 | 88,093 | 237,316 | 230,793 | 57,677 | 67,388 | 136,034 | 134,888 | 284,489 | 1,221,019 | (1,159,205) | (2,359,952) | (394,587) | (617,771) |
| - Non-current | 192,478 | 186,416 | 53,800 | 55,814 | 14,960 | 13,278 | 120,598 | 111,954 | 2,155,425 | 3,303,107 | (360,772) | (686,045) | 2,176,489 | 2,984,524 |
| - Current | 306,557 | 338,851 | 126,290 | 143,997 | 92,773 | 105,054 | 71,368 | 85,200 | 1,006,345 | 367,412 | (1,021,843) | (434,175) | 581,490 | 606,339 |
| - Liabilities classified as held for sale | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 621,526 | 0 | (3,048) | 0 | 618,478 |

The next table breaks down the cash flow statement for the continuing operations by segment in 2015 (in thousands of euros):

| | Cash flows from operating activities | Cash flows from investing activities | Cash flows from financing activities | Effect of foreign exchange rate changes | Change in cash flows in the year |
|---|---|---|---|---|---|
| Education | 103,121 | (59,136) | (4,817) | (15,515) | **23,653** |
| Radio | 32,753 | (5,845) | (4,757) | (4,802) | **17,349** |
| Press | 7,190 | (5,875) | (772) | 97 | **640** |
| Audiovisual (Media Capital) | 26,859 | (4,863) | (7,521) | - | **14,475** |
| Others | (1,853) | 888,484 | (775,391) | (787) | **110,453** |
| **Total** | **168,070** | **812,765** | **(793,258)** | **(21,007)** | **166,570** |

The next table breaks down the cash flow statement for the continuing operations by segment in 2014 (in thousands of euros):

| | Cash flows from operating activities | Cash flows from investing activities | Cash flows from financing activities | Effect of foreign exchange rate changes | Change in cash flows in the year |
|---|---|---|---|---|---|
| Education | 112,469 | (4,396) | (4,360) | (12,990) | **90,723** |
| Radio | 17,065 | (5,550) | (7,707) | (2,178) | **1,630** |
| Press | (10,555) | (766) | (7,418) | (60) | **(18,799)** |
| Audiovisual (Media Capital) | 18,364 | (5,233) | 21 | - | **13,152** |
| Others | (31,441) | 484,000 | (522,320) | (596) | **(70,357)** |
| **Total** | **105,902** | **468,055** | **(541,784)** | **(15,824)** | **16,349** |

The next table breaks down the cash flow statement for the discontinuing operations (generated by DTS) in 2014 (in thousands of euros):

| Cash flows from operating activities | Cash flows from investing activities | Cash flows from financing activities | Effect of foreign exchange rate changes | Change in cash flows in the year |
|---|---|---|---|---|
| (116,883) | (43,333) | 158,140 | (1,135) | **(3,211)** |

The detail of capex for the continuing operations in 2015 and 2014 by business segment is as follows (in thousands of euros):

| | 2015 | | | 2014 | | |
|---|---|---|---|---|---|---|
| | **Property, plant and equipment** | **Intangible assets** | **Total** | **Property, plant and equipment** | **Intangible assets** | **Total** |
| Education | 16,415 | 42,742 | **59,157** | 13,936 | 45,283 | **59,216** |
| Radio | 5,359 | 6,680 | **12,039** | 3,460 | 2,979 | **6,439** |
| Press | 817 | 2,538 | **3,355** | 927 | 2,065 | **2,992** |
| Audiovisual (Media Capital) | 4,779 | 717 | **5,496** | 4,910 | 257 | **5,167** |
| Other | 288 | 134 | **422** | 56 | 238 | **294** |
| **Total** | **27,658** | **52,811** | **80,469** | **23,289** | **50,822** | **74,111** |

The table below shows a breakdown of the investments of discontinued operations, i.e. by DTS in 2014 with property, plant and equipment and intangible assets (in thousands of euros):

| | **2014** |
|---|---|
| Property, plant and equipment | 10,961 |
| Intangible assets | 32,398 |
| **Total** | **43,359** |

The Group's activities are located in Europe and America. Operations in Europe are carried out mainly in Spain and Portugal. The activity in America develops in more than 20 countries mainly in Brazil, Mexico, Colombia and Chile.

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

| | Thousand of euros | | | | | |
|---|---|---|---|---|---|---|
| | **Revenue** | | **Other income** | | **Profit/(loss) before non-controlling interests and tax** | |
| | **2015** | **2014** | **2015** | **2014** | **2015** | **2014** |
| **Europe** | **734,878** | **728,298** | **17,200** | **34,712** | **(74,078)** | **(62,184)** |
| Spain | 559,954 | 548,494 | 15,417 | 31,503 | (97,986) | (90,670) |
| Rest of Europe | 174,924 | 179,804 | 1,783 | 3,209 | 23,908 | 28,486 |
| **America** | **613,128** | **679,917** | **8,856** | **11,801** | **90,256** | **87,879** |
| Colombia | 99,392 | 110,875 | 2,277 | 1,916 | 30,941 | 27,867 |
| Brazil | 177,273 | 229,808 | 3,630 | 3,503 | 17,374 | 25,407 |
| Mexico | 96,321 | 103,405 | 200 | 14 | 9,141 | 13,697 |
| Chile | 52,536 | 53,223 | 519 | 1,676 | 9,693 | 14,849 |
| Rest of America | 187,606 | 182,606 | 2,230 | 4,692 | 23,107 | 6,059 |
| **TOTAL** | **1,348,006** | **1,408,215** | **26,056** | **46,513** | **16,178** | **25,695** |

| | Thousand of euros | | | |
|---|---|---|---|---|
| | Non- current assets (*) | | Total assets | |
| | 2015 | 2014 | 2015 | 2014 |
| **Europe** | **617,382** | **633,724** | **1,743,223** | **2,876,365** |
| Spain | 170,475 | 188,829 | 1,157,393 | 2,301,860 |
| Rest of Europe | 446,907 | 444,895 | 585,830 | 574,505 |
| **America** | **263,229** | **296,032** | **620,169** | **715,205** |
| Colombia | 23,169 | 19,367 | 67,273 | 68,433 |
| Brazil | 82,951 | 108,930 | 192,826 | 256,777 |
| Mexico | 54,399 | 60,849 | 108,313 | 122,251 |
| Chile | 68,988 | 72,699 | 107,106 | 112,002 |
| Rest of America | 33,722 | 34,187 | 144,651 | 155,742 |
| **TOTAL** | **880,611** | **929,756** | **2,363,392** | **3,591,570** |

(*) Include property, plant and equipment, goodwill, intangible assets, investments accounted for using the equity method and other non-current assets.

## 19) TAX MATTERS

In Spain, Promotora de Informaciones, S.A. files consolidated tax returns as permitted by the Spanish Corporation Tax Law. It is the Parent of tax group number 2/91, which includes all subsidiaries *(see Annex I)* that meet the requirements established in the legislation governing the taxation of the consolidated profit of corporate groups.

GLR Services, Inc. files consolidated tax returns also in the United States together with its subsidiaries that meet the requirements for application of this special consolidated tax regime.

Vertix, SGPS, S.A. and those subsidiaries which also meet the conditions required under Portuguese law constitute a consolidated tax group in Portugal.

The other Group subsidiaries file individual tax returns in accordance with the tax legislation prevailing in each country.

In this financial year, as in prior years, certain Group companies performed or participated in corporate restructuring operations under the special tax neutrality regime. The disclosures required by the tax legislation that arise from the application of the aforementioned transactions are included in the notes to the financial statements of the related Group companies for the year in which these transactions were carried out.

Also, in prior years, several tax group companies availed themselves of tax credits for the reinvestment of extraordinary income under Article 21 of the repealed Spanish Corporation Tax Law 43/1995. The disclosures required by this Law are made in the notes to the financial statements of the corresponding companies.

In the Income Tax for financial years 2011, 2012, 2013 and 2014, several tax group companies availed themselves of certain tax credits for the reinvestment of extraordinary income. The disclosures required by current legislation in each of these financial years were included in the notes to the financial statements of the companies involved. In all cases, the requirement to reinvest the sales price was met, through the acquisition of property, plant and equipment, intangible assets and financial assets, under the terms established in the regulations, in each of the years mentioned.

At the time of filing of the Prisa Group 2014 income tax statement, in July 2015, as in previous years, several companies deducted, for tax purposes, excluding the recognition of impairment, losses on equity interests from taxable income, provided for under Article 12.3 of the repealed Consolidated Text of Spanish Corporation Tax Law. The disclosures required by this Law are made in the notes to the financial statements of the corresponding companies.

### *a) Reconciliation of the accounting profit to the taxable profit*

The following table shows a reconciliation, in thousands of euros, of the result of applying the current standard tax rate in Spain to the consolidated net accounting profit of continuing operations, calculated under International Financial Reporting Standards, to the consolidated Group's income tax expense for 2015 and 2014.

| | Income statement | |
|---|---|---|
| | **2015** | **2014** |
| **CONSOLIDATED NET PROFIT UNDER IFRS BEFORE TAX FROM DISCONTINUED OPERATIONS** | **16,178** | **25,695** |
| Tax charge at 28% and at 30%* | 4,530 | 7,709 |
| Consolidation adjustments | (7,342) | (2,573) |
| Temporary differences | 35,423 | 34,178 |
| Permanent differences (1) | 1,729 | 16,293 |
| Tax loss carryforwards | (140) | (3,136) |
| Tax credits and tax relief (2) | (1,991) | (3,314) |
| Effect of applying different tax rates (3) | 1,293 | 5,149 |
| **Current income tax expense** | **33,502** | 54,306 |
| **Deferred tax expense for temporary differences** | **(35,423)** | (32,562) |
| PREVIOUS INCOME TAX FOR 2015 | (1,921) | 21,744 |
| DEFERRED TAX LOSS CARRYFORWARDS (4) | (29,895) | |
| ADJUSTMENT OF PRIOR YEARS' TAX (5) | 2,569 | 10,210 |
| FOREIGN TAX EXPENSE (6) | 5,049 | 3,170 |
| EMPLOYEE PROFIT SHARING AND OTHER EXPENSE CONCEPTS (7) | 1,571 | 1,683 |
| ADJUSTMENTS TO CONSOLIDATED TAX | (2,696) | (200) |
| **TOTAL INCOME TAX** | **(25,323)** | **132,607** |

* Parentheses indicate income

(1) The permanent differences mainly originate from, (i) differing accounting and tax treatments of various provisions, (ii) expenses that are not tax deductible, (iii) the effect of those companies with losses in the financial year which have not recognized the corresponding deferred tax asset, (iv) the extra-accounting negative adjustment of 1% tax merger difference, corresponding to the 2015 financial year, arising from the merger operation of the companies Promotora de Informaciones, S.A. and Prisa Televisión, S.A.U., (merger by takeover described in Note 17 of the Financial Statement corresponding to financial year 2013), applying the requirements of Article 89.3 of the Tax Law in force at that time to give it tax effect (v), negative adjustment for an amount which was given accounting effect within current tax expense, of the total estimation of capital loss incurred for tax purposes in the financial year as a consequence of the transfer of the stake in DTS, Distribuidora de Televisión Digital, S.A., applying the requirements of Article 89.3 of the Tax Law in force at that time. This capital loss arose from allocating to the cost of the transferred stake, for tax purposes, part of the difference incurred by the merger operation referred to in paragraph (iv),

(vi) a negative adjustment from the recovery, for tax purposes, of one tenth of the amount adjusted in previous financial years due to the limitation of the deductibility of the expense for depreciation/amortisation.

(2) The Spanish Prisa reporting Group companies have generated an international dividend double taxation tax credit.

(3) This relates to the effect of taxation of profits from American and European subsidiaries at different rates.

(4) This is part of the credit from the estimation of capital loss incurred by the sale of DTS referred to in paragraph (1) which has been recognized for accounting purposes in the deferred tax assets.

(5) This refers to the effect on the income statement of the adjustment of income tax from prior years and the recognition of deferred tax assets and liabilities, incurred during the year, on the new tax rate of 25% that they hoped to recover and/or cancel.

(6) This relates to the expense for taxes paid abroad and arose from withholdings at source on the income from exports of services provided by the Group's Spanish companies abroad and dividends.

(7) The employee profit sharing is an additional component of the income tax expense in countries such as Mexico.

## b) Deferred tax assets and liabilities

**2015-**

The following table shows the origin and amount of the deferred tax assets and liabilities recognized at year-end 2015 and 2014 (in thousands of euros):

| DEFERRED TAX ASSETS ARISING FROM: | | | | | |
|---|---|---|---|---|---|
| | **31.12.2014** | **Additions** | **Disposals** | **Transfers** | **31.12.2015** |
| Advance tax notices | 45,875 | 32,366 | 64,801 | - | 13,440 |
| Non-deductible expenses | 95,527 | 34,029 | 20 | - | 129,536 |
| Non-deductible provisions, depreciation and amortization | 4,881 | 1,345 | 935 | 13,716 | 19,007 |
| Non-capitalizable assets | 37 | - | - | - | 37 |
| Tax loss carryforwards | 131,818 | 30,334 | 7,438 | - | 154,714 |
| Unused tax credit recognized | 107,946 | 2,147 | 13,000 | (100) | 96,993 |
| Other | 35,262 | 139 | 10,294 | (13,616) | 11,491 |
| **Total** | **421,346** | **100,360** | **96,488** | **-** | **425,218** |

| DEFERRED TAX LIABILITIES ARISING FROM: | | | | | |
|---|---|---|---|---|---|
| | **31.12.2014** | **Additions** | **Disposals** | **Transfers** | **31.12.2015** |
| Impairment losses on equity investments and goodwill | 13,514 | 275 | 3,358 | (5,782) | 4,649 |
| Deferral for reinvestment of extraordinary income | 4,044 | - | 498 | (607) | 2,939 |
| Accelerated depreciation and amortization | 727 | - | 65 | 1,257 | 1,919 |
| Different accounting and tax recognition criteria for income | 32,214 | 11,295 | 32,277 | 4,452 | 15,684 |
| Other | 9,514 | 1,296 | 229 | 680 | 11,261 |
| **Total** | **60,013** | **12,866** | **36,427** | **-** | **36,452** |

**2014-**

The following table shows the origin and amount of the deferred tax assets and liabilities recognized at year-end 2014 and 2013 (in thousands of euros):

| DEFERRED TAX ASSETS ARISING FROM: | | | | | |
|---|---|---|---|---|---|
| | **31.12.2013** | **Additions** | **Disposals** | **Transfers** | **31.12.2014** |
| Advance tax notices | 35,740 | 5,152 | (704) | 5,687 | 45,875 |
| Non-deductible expenses | 55,779 | 52,233 | (17,628) | 5,143 | 95,527 |
| Non-deductible provisions, depreciation and amortization | 9,311 | 22 | (2,708) | (1,744) | 4,881 |
| Non-capitalizable assets | 37 | - | - | - | 37 |
| Tax loss carryforwards | 923,169 | 8,129 | (31,387) | (768,093) | 131,818 |
| Unused tax credit recognized | 180,966 | 2,318 | (63,482) | (11,856) | 107,946 |
| Other | 37,712 | 1,874 | (5,765) | 1,441 | 35,262 |
| **Total** | **1,242,714** | **69,728** | **(121,674)** | **(769,422)** | **421,346** |

| DEFERRED TAX LIABILITIES ARISING FROM: | | | | |
|---|---|---|---|---|
| | **31.12.2013** | **Additions** | **Disposals** | **31.12.2014** |
| Impairment losses on equity investments and goodwill | 13,161 | 1,703 | (1,350) | 13,514 |
| Deferral for reinvestment of extraordinary income | 4,642 | - | (598) | 4,044 |
| Accelerated depreciation and amortization | 908 | - | (181) | 727 |
| Different accounting and tax recognition criteria for income | - | 32,214 | - | 32,214 |
| Other | 10,943 | 466 | (1,895) | 9,514 |
| **Total** | **29,654** | **34,383** | **(4,024)** | **60,013** |

The tax assets and liabilities on the consolidated balance sheet at year-end 2015 are recognized at their estimated recoverable or cancellable amount.

There are no significant temporary differences arising from investments in subsidiaries, branches, associates or joint ventures that generate deferred tax liabilities.

There are no significant amounts arising from temporary differences associated with retained earnings of subsidiaries in jurisdictions where different tax rates are applied and, therefore, no deferred tax liabilities were recognized in this connection.

Among the deferred tax assets, the most significant amounts correspond to (i) tax credits arising from tax losses, (ii) Spanish tax credits for double taxation and for investments (different from de export tax credit), (iii) credits mainly from the limitation of deductibility in Prisa's 2/91 consolidated tax group and (iv) the balance of the amount of payment of certain tax assessments issued by the tax authorities, which are still the subject of an administrative, or where appropriate, judicial procedure, which have not been guaranteed but rather paid. These deferred tax assets were recognized in accordance with the criteria set forth in "Account policies."

Included below is the breakdown, in thousands of euros, of the prior years' tax losses of Spanish companies available for offset against future profits, showing the year in which they were incurred.

| Year Incurred | Amount | Recognized | Not Recognized |
|---|---|---|---|
| 1997 | 1,036 | | 1,036 |
| 1998 | 17,099 | | 17,099 |
| 1999 | 75,428 | | 75,428 |
| 2000 | 64,741 | | 64,741 |
| 2001 | 57,301 | | 57,301 |
| 2002 | 85,608 | 39 | 85,569 |
| 2003 | 49,113 | 110 | 49,003 |
| 2004 | 65,452 | 255 | 65,197 |
| 2005 | 7,102 | 267 | 6,835 |
| 2006 | 6,365 | 244 | 6,121 |
| 2007 | 5,595 | | 5,595 |
| 2008 | 12,484 | 145 | 12,339 |
| 2009 | 8,547 | | 8,547 |
| 2010 | 1,677 | | 1,677 |
| 2011 | 194,307 | 109,444 | 84,863 |
| 2012 | 387,934 | 293,575 | 94,359 |
| 2013 | 58,979 | 58,880 | 98 |
| 2014 | 356 | 299 | 57 |
| 2015 | 639,614 | 119,424 | 520,191 |
| **Total** | **1,738,739** | **582,682** | **1,156,057** |

The breakdown by country of the tax loss carryforwards of the Group's foreign companies is shown below, in thousands of euros:

| Year Incurred | USA | MEXICO | BRASIL | CHILE | ARGENTINA | COLOMBIA | PORTUGAL | TOTAL |
|---|---|---|---|---|---|---|---|---|
| 2000 | 4,674 | | | | | | | 4,674 |
| 2001 | 3,930 | | | | | | | 3,930 |
| 2002 | 2,277 | | | | | | | 2,277 |
| 2003 | 3,511 | | | | | | | 3,511 |
| 2004 | 3,778 | | | | | | | 3,778 |
| 2005 | 3,699 | | | 314 | | | | 4,013 |
| 2006 | 8,742 | | | 1 | | | | 8,743 |
| 2007 | 6,463 | 220 | 165 | 42 | | | | 6,890 |
| 2008 | 5,042 | 878 | 162 | 394 | | | | 6,476 |
| 2009 | 6,387 | 483 | 76 | 453 | | | | 7,399 |
| 2010 | 6,107 | 38 | 61 | 828 | 121 | | | 7,155 |
| 2011 | 8,300 | 492 | 456 | 803 | 520 | | | 10,572 |
| 2012 | 5,235 | 877 | 3,372 | 1,283 | 703 | 1,091 | 342 | 12,902 |
| 2013 | 6,379 | 1,659 | 8,664 | 1,306 | 1,458 | | 624 | 20,090 |
| 2014 | 7,114 | 564 | 4,269 | 1,026 | 2,031 | | | 15,005 |
| 2015 | 3,918 | 3,294 | 978 | 727 | 5,259 | | | 14,176 |
| **TOTAL** | **85,556** | **8,505** | **18,203** | **7,177** | **10,092** | **1,091** | **966** | **131,590** |
| RECOGNIZED | | 3,819 | 15,539 | 6,565 | | 1,091 | 966 | 27,980 |
| NOT RECOGNIZED | 85,556 | 4,686 | 2,664 | 612 | 10,092 | | 0 | 103,610 |
| Period for offset | 20 years | 10 years | No limit | No limit | 5 years | No limit | 4, 5 and 6 years | |

The recovery of deferred tax assets and liabilities of the consolidated tax Group is based on the most recent business plans of its member companies, which have been approved by the Group's management. The tax plan considers the operational developments of these companies and the estimated future cash flows obtained from the remaining companies that are not members of the consolidated tax Group, as well as other operations such as repurchasing debt at a discount.

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

The projections consider that the advertising market in Spain will continue to recover according to third-party reports. In view of the grate component of fixed costs associated with business with a high component of advertising revenues, an increase in advertising revenues will have a positive impact in the operating margins.

In addition, projections include the evolution of business into a digital model with higher contribution margins. Also, there will be a reduction in costs base due to adjustment plans implemented in previous years.

Santillana in Spain and Latam predicts an increase in revenue as a result of possible legislative changes involving renewed educational content, new digital developments, growth initiatives in extra-curricular activities and maintenance of public sales.

The adjustment path of costs will continue in the corporate centre which will allow for improved results in the next years.

Results from operations of Radio and Education in Latam will positively contribute to generate revenues within the consolidated tax Group, in line with expected growths in countries where the Group operates.

In addition, revenue is expected to increase due to repurchasing debt, estimating an average discount in accordance with the debt contribution of Prisa at year end. This debt repurchase will come from the remaining cash fund available at year end (*see note 27*) as well as from corporate transactions.

Once the recoverability analysis were carried out, under the provisions of accounting regulations, procedures were taken to derecognise, for accounting purposes, from its balance sheet (not for tax purposes), the credits corresponding to deductions for investments for a total amount of EUR 13 million in the Spanish tax group (*see note 15*). The main net additions of deferred tax for the year correspond to the non-deductibility of financial expenses, amounting to EUR 34,009 thousand and tax loss carryforwards for amount of EUR 22,896 thousand.

Once the aforementioned adjustment was registered, the companies' business plans, together with determined tax planning actions, allow for the recovery of deferred tax assets and liabilities recorded in the consolidated balance sheet on 31 December 2015 within ten years.

Among the balance of the Deferred Tax Liability, the most significant amount correspond to the different accounting and tax recognition criteria, according to the article 11.13 of the Spanish Corporation Tax Law for the financial income resulting from the derecognitions described in note 16.

### c) Years open for review by the tax authorities

The years open for review by the tax authorities for the main taxes vary from one consolidated company to another, although they are generally the last four years, with the exceptions discussed below.

During 2011, verification and inquiry actions were initiated with regard to the tax on raffles, tombolas, wagers and promotional draws for 2007 to 2010 at Prisa Televisión, S.A.U. (a company taken over by Promotora de Informaciones, S.A.), which concluded with the issuance of a notice signed on a contested basis from which a determination of EUR 8,570 thousand arose (tax plus interest), against which the Company filed the corresponding appeals and claims. Both the resolution of the TEAC and the Judgment of the National High Court, handed down in that financial year, partially upheld the Group's claims, in spite of which, the corresponding cassation appeals were filed against them before the Supreme Court, and, on the date of preparing these annual accounts, the company proceeded to file the corresponding cassation appeals before the Supreme Court. Even though the relevant appeals were filed,the tax liability arising from these Notices was satisfied and recognized as a credit vis à vis the Public Authorities. During the financial year, the Tax Authority executed the resolution partially upheld by the TEAC, and refunded the Company EUR 7,441 thousand.

In 2006, the tax authorities completed their audit for consolidated income tax for 1999, 2000, 2001, and 2002 relating to VAT, personal income tax withholdings and repayments (employees and professionals), tax on property income, investment income tax and non-resident income tax for June 2000 to May 2004. The relevant appeals and claims were filed by the Company against the settlement agreements relating to Corporate Income Tax arising from the aforementioned audits. Both the resolutions of the TEAC and the judgments of the National High Court partially upheld the Group's claims, in spite of which, the corresponding cassation appeals were filed against them before the Supreme Court.

The cassation appeals relating to the 2001 and 2002 financial years were rejected due to formal matters, as were the motions for annulment raised against the rejection. The Company submitted the corresponding appeals before the Constitutional Court, which were rejected in the financial year

In the 2013 financial year, two decisions from the Supreme Court partially upholding the Group's position were notified to the Company, which resolved the cassation appeals relating to Corporate Income Tax from the 2000 and 1999 financial years, confirming the criteria of the audit relating to the proposed adjustment of the export tax credit generated at Grupo Prisa during those financial years.

Against the settlements arising from the execution, by the Tax Authorities, of the partially upheld sentences from the Supreme Court relating to the 1999 financial year (for an amount of EUR 5,736 thousand), the 2000 financial year (EUR 7,461 thousand) and the decree of denial corresponding to the 2001 financial year (EUR 17,069 thousand), the Company filed an appeal for judicial review before the National High Court, and, despite this appeal, proceeded to pay it.

In the 2010 financial year, the audits for the consolidated Corporate Income Tax corresponding to the 2003 to 2005 financial years were completed, issuing the corresponding Notice that was signed on a contested basis and that includes a settlement amounting to EUR 20,907 thousand (tax plus interest). A decision was received from the TEAC rejecting the appeal to the Board of Tax Appeals and the Company proceeded to lodge the corresponding appeal for judicial review before the National High Court, and, on the date of formulating these annual accounts, a decision had not yet been handed down. The tax liability arising from this Notice, despite being appealed was satisfied.

The audit relating to VAT from June 2004 to December 2006 concluded with the issuance of a Notice signed on a contested basis amounting to EUR 5,416 thousand, against which the company filed the corresponding appeals and claims. Both the resolution of the TEAC and the judgments of the National High Court partially upheld the Group's claims, and, in the financial year, the company proceeded to file the corresponding cassation appeals before the Supreme Court. The tax liability arising from this Notice, despite being appealed, was satisfied, and was recognized as a long-term credit vis-à-vis the Public Authorities.

In 2013 financial year, the tax audits at the consolidated tax group relating to income tax for 2006 to 2008 were completed, with the issuance of a notice signed on a contested basis, amounting to EUR 9 thousand, which was paid by the Company. Since the Company did not agree with the criteria used in the tax audit relating to the proposed adjustment, it filed an appeal to the Board of Tax Appeals at the TEAC, for which a decision has not yet been handed down. The determination agreement included the adjustment by the tax audit of all the tax credits for export activities arising in that period.

The audit relating to corporate income tax for the 2008 financial year for Sociedad Española de Radiodifusión, S.L. concluded with the issuance of a Notice in amount of EUR 219 thousand, which was paid. Faced with this administrative act, the Company submitted an Economic-Administrative Appeal to the TEAC, which is currently pending resolution.

With regard to VAT for the period from June 2007 to December 2008, the tax audits concluded during the 2013 financial year with the issuance of two Notices, one for EUR 539 thousand, and the other for EUR 4,430 thousand, both of which have been the subject of economic-administrative appeals before the TEAC and a decision has not yet been handed down. Even though the relevant appeals have been filed, the tax liability arising from these Notices has been satisfied and was recognized as a credit vis à vis the Public Authorities.

During the 2013 financial year, partial tax audits began on corporate income tax for the 2008 financial year of the tax consolidation group 225/04, whose parent, for that financial year, was Sociedad Dédalo Grupo Gráfico, S.L. These proceedings concluded with the issuance of a notice signed on a contested basis, without giving rise to any payment to be made, in which the deferred tax assets for future financial years generated before Sociedad Dédalo Grupo Gráfico, S.L. (a dependent company in that tax year, which separated from the tax group in 2012) entered the Group, were adjusted in an amount of EUR 10,167 thousand. The Company, which did not support the audit criterion, submitted the corresponding Economic-Administrative Appeal before the TEARM, and it is currently pending resolution. Similarly, as a result of this adjustment, the Company was fined in an amount of EUR 1,525 thousand, against which the corresponding economic-administrative appeal has been filed, which is pending resolution by the TEARM.

In the 2014 financial year, tax audits began of tax consolidation group 2/91, of which Promotora de Informaciones is the parent company, and of of tax consolidation group 194/09, of which Prisa Radio, S.A. was the parent company for corporate income tax for the financial years 2009 to 2011. This audit also included VAT for the period from May 2010 to December 2011 of tax consolidation group 105/08 of which Promotora de Informaciones, S.A. was the parent company, and personal income tax withholdings and repayments (employees and professionals) corresponding to the period from May 2010 to December 2012 and non-resident income tax withholdings corresponding to period 2011.

On the date of preparing these annual accounts, the tax audits referred to in the previous paragraph relating to personal income tax withholdings and repayments (employees and professionals) of all the companies concerned thereby except Promotora de Informaciones, S.A. and in respect of non-resident income tax withholdings have been completed without any adjustment being proposed for the companies for this item.

The provision for taxes (*see note 13*) includes an amount of EUR 26,976 thousand to cover, mainly, potential unfavourable rulings upheld during the various tax proceedings described above.

At the date of authorization for issue of the financial statements, the full amount of the tax credits for export activities generated by the consolidated tax group and queried in the tax audit was either derecognized or a provision was recognized in relation thereto.

The Company considers that it is unlikely that any additional material contingencies will arise from a tax audit of the returns open to examination.

## 20) ALLOCATION OF RESULTS

The proposal for the allocation of the loss of Promotora de Informaciones, S.A. for 2015 is as follows (in thousands of euros):

| | Amount |
|---|---|
| **Basis of appropriation** | |
| Loss for the year | (5,162) |
| **Distribution-** | |
| Prior year losses | (5,162) |

## 21) EARNINGS PER SHARE

Basic earnings/(loss) per share was calculated by dividing the profit/(loss) for the year attributable to equity holders of the Parent by the weighted average number of ordinary shares in circulation during the period.

The impact on the number of ordinary shares of the share subscription rights (warrants) is dilutive, although its impact on diluted earnings per share is not significant, keeping the same level as the basic earnings per share.

The basic earnings (loss) per share attributed to equity holders of the Parent corresponding to continuing and discontinued operations in 2015 and 2014 were the following:

| | Thousands of euros | |
|---|---|---|
| | 12/31/2015 | 12/31/2014 (*) |
| Profit/(loss) for the year from continuing operations attributable to the Parent | 7,978 | (33,828) |
| Profit/(loss) after tax from discontinued operations attributable to the Parent | (2,684) | (2,203,004) |
| Profit/(loss) for the year attributable to the Parent | 5,294 | (2,236,832) |
| Weighted average number of ordinary shares outstanding (thousands of shares) | 72,104 | 53,737 |
| **Basic earnings/(loss) per share of continuing operations (euros)** | 0.11 | (0.63) |
| **Basic earnings/(loss) per share of discontinued operations (euros)** | (0.04) | (41.00) |
| **Basic earnings/(loss) per share (euros)** | 0.07 | (41.63) |

(*)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 December 31, 2014 has been restated for purposes of comparison.

In 2014, considering the same weighted average number of ordinary shares outstanding than in 2015, basic loss per share of continuing operations was 0.47 euros and of the discontinuing operations was 30.55 euros.

Weighted average number of ordinary shares outstanding in 2015 and 2014:

| | **Thousands of shares** | |
|---|---|---|
| | 2015 | 2014 |
| Ordinary shares at December 31 | 71,936 | 35,089 |
| Share capital increases | 508 | 18,807 |
| Weighted average of treasury shares | (340) | (159) |
| **Weighted average number of ordinary shares outstanding for basic earnings per share** | **72,104** | **53,737** |

## 22) RELATED PARTY TRANSACTIONS

The detail of the balances receivable from and payable to associates and related parties in 2015 and 2014 is as follows:

| | 12/31/2015 | | 12/31/2014 | |
|---|---|---|---|---|
| | Group employees, companies or entities | Significant shareholders | Group employees, companies or entities | Significant shareholders |
| Trade receivables | 3,885 | 2,116 | 3,550 | 57,719 |
| Receivables- loans | 11,913 | 36,343 | 17,111 | 25,000 |
| **Total receivables** | **15,798** | **38,459** | **24,175** | **82,719** |
| Trade payables | 2,922 | 5,544 | 1,983 | 11,155 |
| Payables- loans | 10 | 648,095 | 193 | 852,384 |
| **Total payables** | **2,932** | **653,639** | **2,176** | **863,539** |

*Balance with Group employees, companies or entities-*

Receivables loans mainly include the credit granted by Prisa Noticias, S.L. to Le Monde Libre Société en Commandite Simple, in the net amount of EUR 9,071 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 1,816 thousand.

*Balance with significant shareholders-*

The aggregate amount of EUR 38,459 thousand mainly includes the amount pending of collection from the sale of 56% of DTS.

The aggregate amount of EUR 653,639 thousand is mainly accounted the loans granted to Prisa by:

- Banco Santander, S.A. amounting to EUR 9,629 thousand (EUR 100,833 thousand at December 31, 2014).

- Caixabank, S.A. amounting to EUR 67,232 thousand (EUR 66,963 thousand at December 31, 2014).

- HSBC Holding, PLC amounting to EUR 542,775 thousand (EUR 586,131 thousand at December 31, 2014).

The transactions performed with related parties in 2015 and 2014 were as follows (in thousands of euros):

| | 12/21/2015 | | | 12/31/2014 | | |
|---|---|---|---|---|---|---|
| | Directors and executives | Group employees, companies or entities | Significant shareholders | Directors and executives | Group employees, companies or entities | Significant shareholders |
| Services received | 90 | 135 | 11,230 | 90 | 3,486 | 10,926 |
| Finance expenses | - | 1,125 | 18,462 | - | - | 34,230 |
| Leasing | - | 931 | 1,160 | - | - | - |
| Other expenses | 13,289 | 168 | 3,610 | 18,769 | 104 | 9,132 |
| **Total expenses** | **13,289** | **2,359** | **34,462** | **18,859** | **3,590** | **54,288** |
| Finance income | - | 1,329 | 105 | - | 1,655 | 314 |
| Dividends received | - | 2,287 | - | - | 4,496 | - |
| Provision of services | - | 2,685 | 10,476 | - | 13,568 | 188,990 |
| Other income | - | - | 1,239 | - | 782 | 2,215 |
| **Total revenues** | **-** | **6,301** | **11,820** | **-** | **20,501** | **191,519** |

All related party transactions have taken place under market conditions.

*Transactions between with Directors and executives -*

The aggregate amount of EUR 13,289 thousand relates to the accrued salaries of directors for an amount of EUR 6,692 thousand *(see note 23)* and executives for an amount of EUR 6,597 thousand.

Senior management compensation

The total aggregate compensation of members of senior management in 2015, of Promotora de Informaciones, S.A. and other companies in the Group amounts to EUR 6,597 thousand (EUR 4,682 thousand in 2014) and will be paid in the short term.

This compensation is the accounting reflection of the overall compensation of executives and and therefore do not match with the remuneration accrued in 2015 that is included in the Annual Report of Corporate Governance in which is followed the accrual basis criteria (and not an accounting provision basis) as required by the CNMV.

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. 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.

- Mr Javier Lázaro until his resignation as CFO in October 2015.

- Mr. Antonio Alonso Salterain and Ms. Noelia Fernández Arroyo since their appointments as Revenue Officer and Managing Director of Business Development and Digital Transformation, respectively, in April 2015.

The aggregated remuneration of senior management 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 adjustment made after the settlement of 2014 bonus, paid in April 2015.

- 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, subject to achievement of the management objectives.

- The accounting adjustment made after the settlement, in 2015, of the long-term variable remuneration for the cycle II (period 2012/2014) of ILP 2011.

*Transactions between Group employees, companies or entities-*

The aggregate amount of EUR 2,359 thousand is mainly includes the expenditure derived from the leasing of frequencies of radio with companies and financial expense for the impairment of the credit granted to Le Monde.

The aggregate amount of EUR 2,287 thousand is mainly accounted for by dividends received by Sociedad Española de Radiodifusión, S.L. from its stake in Sistema Radiópolis, S.A. de C.V.

The aggregate amount of EUR 1,329 thousand includes the financial income registered by the companies of the group, derived from loans granted to entities accounting for using the equity method.

Finally, the aggregate amount of EUR 2,685 thousand mainly includes the income received by Radio in Spain from provision of technical assistance and advisory services and the income for sale of newspapers to Kioskoymás, Sociedad Gestora de la Plataforma Tecnológica, S.L.

*Transactions between with significant shareholders -*

The aggregate amount of EUR 11,820 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 34,462 thousand mainly consists of expenditure on telephony and internet by Prisa Group companies with Telefónica, S.A., the expense by the leasing of offices in Tres Cantos with Telefónica, as well as interest accruing on credits granted by major shareholders to Prisa Group companies.

The detail of other transactions performed with related parties in 2015 and 2014 is as follows (in thousands of euros):

| | Thousands of euros | | | |
|---|---|---|---|---|
| | Significant shareholders | Group employees, companies or entities | Significant shareholders | Group employees, companies or entities |
| Financing agreements: loans granted | - | 2,505 | - | 7,752 |
| Financing agreements: loans received | 17,500 | - | 858,707 | 193 |
| Financing agreements: capital contributions | 64,000 | - | 456,217 | - |
| Guarantees and collateral received | - | - | 9,848 | - |
| Sale of financial assets | - | - | 719,086 | - |
| Other transactions | 70 | - | 26,187 | - |

*Transactions between Group employees, companies or entities-*

The aggregate amount of EUR 2,505 thousand mainly includes the increase of the credit granted by Prisa Noticias, S.L. to Le Monde Libre Société en Commandite Simple, for an amount of EUR 1,369 thousands *(see note 12a)*.

*Transactions with significant shareholders-*

The amount of EUR 64,000 thousand includes the share capital increase subscribed by International Media Group, S.á.r.l. *(see note 11)*.

## 23) REMUNERATION AND OTHER BENEFITS OF DIRECTORS

In 2015 and 2014, the consolidated companies registered the following amounts in respect of remuneration to Prisa's Board members:

| | Thousands of euros | |
|---|---|---|
| | 12/31/2015 | 12/31/2014 |
| Fixed remuneration | 2,210 | 2,235 |
| Variable remuneration | 2,411 | 3,850 |
| Attendance fees | 392 | 485 |
| Bylaw-stipulated directors' emoluments | 1,330 | 1,349 |
| Other | 349 | 6,168 |
| **Total** | **6,692** | **14,087** |

Regarding the 2015 financial year:

i) The overall compensation of the Board of Directors includes the compensation of Mr Fernando Abril-Martorell, Mr Emmanuel Roman and Mr Juan Arena de la Mora, until their resignation as a directors, in 2015.

ii) 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.

iii) Therefore the compensation included in the table above, do not match, in some respects, with the remuneration accrued in 2015 that is included in the Annual Remuneration Report of the Directors (IR), in which is followed the accrual basis (and not an accounting provision basis) as required by the CNMV in the "Circular 4/2013 of the CNMV, whereby the model of annual report remuneration of directors is established", and in the Annual Report on Corporate Governance (IAGC).

iv) The items included in the variable remuneration of directors in the above table and the differences with the amounts declared in the IR and the IAGC, are the following:

- Annual variable compensation (bonus): accounting provisions 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 2015, 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 Cebrián Echarri, which is payable in shares of Prisa, from January 2016, subject to certain conditions: the above table includes the accounting expenses recorded in the income statement of 2015 in the amount of EUR 250 thousand.

- Long-term variable remuneration of the executive director Mr. José 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 2015 in the amount of EUR 167 thousand and is not declared in the Annual Report on Remuneration of Directors, within the remuneration accrued in the year 2015.

- Long-term variable remuneration (long-term incentive or ILP) 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 fulfillment of long-term goals: the above table includes the accounting expenses recorded in the income statement of 2015 in the amount of EUR 75 thousand and is not declared in the Annual Report on Remuneration of Directors, within the remuneration accrued in the year 2015.

- It is stated that, additionally, the Executive Chairman, Mr. Juan Luis Cebrián Echarri is entitled for each of the years 2014, 2015, 2016, 2017 and 2018 to an annual contribution of EUR 1,200 thousand, as retirement benefit, which will be delivered to Mr. Cebrián in full at the end of his contract (December 31, 2020), 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 benefit (EUR 6,000 thousand) so it is not included in the table above. This amount is not declared in the Annual Report on Remuneration of Directors, within the remuneration accrued in the year 2015.

- The accounting adjustment made after the settlement of 2014 bonus, paid in April 2015.

- The accounting adjustment made after the settlement, in 2015, of the long-term variable remuneration for the cycle II (period 2012/2014) of ILP 2011.

iv) “Bylaws benefits” includes the accounting provision made in the income statement regarding the fixed remuneration of directors for their membership to the Board, the Delegated Comission and the Committees. This amount does not match with the amount declared in the Annual Report on Remuneration of Directors (accrued amount) due to the changes occurred in the composition of the Board and Committees in the last quarter of the year.

v) Also under "Other" are included the EUR 90,000 received by the director Mr. Gregorio Marañón y Bertran de Lis for the rendering of legal services, but this amount is included in the tables of section D of the Annual Report on Remuneration of Directors.

Information about this transaction is included in note 22 *“Related party transactions”* of this report.

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

*Information regarding conflict of interest situations of directors-*

For purposes of article 229 of the Capital Companies Act it is noted that, as at the end of 2015, the Board of Directors had not been advised of direct or indirect conflict situations that directors or persons related thereto (in accordance with article 231 of the aforesaid Act) might have had with the interests of the Company.

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

| Director | Activity | Person related to the Director | Activity |
|---|---|---|---|
| **Juan Luis Cebrián Echarri** | Director of the following companies: Le Monde, Le Monde Libre and Societe Editrice Du Monde. | | |
| **Gregorio Marañón** | Chairman of Universal Music Spain, S.L. | | |
| **Arianna Huffington** | Chairman and Director of "The Huffington Post Media Group".<br>0.0001% interest in the share capital of Verizon Communications Inc. | | |
| **John Paton** | Interest in the share capital of Digital First Media.<br>Director of Guardian Media Group. | | |
| **José Luis Leal Maldonado** | 0.05% interest in the share capital of Punto y Seguido, S.A. | | |
| **Alain Minc** | Director of Caixabank, S.A. (significant shareholder of Prisa and one of the Prisa creditor banking institutions with which the Company's refinancing was signed). | Son | Editor of "Version Femina", "Paris Match" and "Journal du Dimanche" (published by Lagardére Group). |
| **Claudio Boada** | *Senior Advisor* of HSBC in Spain and Portugal (significant shareholder of Prisa and one of the Prisa creditor banking institutions with which the Company's refinancing was signed). | | |
| **Joseph Oughourlian** | *See note below (*)* | | |
| **Shk. Dr. Khalid bin Thani bin Abdullah Al-Thani** | Vice Chairman de Dar Al Sharq Printing Publishing & Distribution Co.<br><br>Vice Chairman de Dar Al Arab Publishing & Distribution Co. | | |

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

Mr. Oughourlian is director of Cofide SpA, which is an Italian holding company operating in numerous industries, including publishing through an investment in Editoriale L'Espresso.

The companies in the Prisa Group are not included in this list. As already indicated in the Annual Corporate Governance Report of the Company, the following Directors of Promotora de Informaciones, S.A. are members of management bodies of certain companies in the Prisa Group: Juan Luis Cebrián Echarri, José Luis Sainz Díaz, Manuel Polanco Moreno, Arianna Huffington and John Paton.

## 24) GUARANTEE COMMITMENTS TO THIRD PARTIES

At December 31, 2015, Prisa had furnished bank guarantees amounting to EUR 75,886 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 Educación Global, S.L. signed a guarantee with Banco ITAU in respect to the sale of the trade publishing business for an amount of EUR 8,058 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 32,366 thousand, were cancelled as a consequence of its payment *(see note 19).*

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.

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.

## 25) FUTURE COMMITMENTS

The Media Capital Group have entered into purchase and sale agreements with various suppliers for future program broadcasting rights These commitments partially cover the Media Capital Group companies' programming needs in the years indicated.

By virtue of an agreement entered into with Indra on December 22, 2009, Prisa assumed payment commitments totaling EUR 267,225 thousand with this company for seven years. In 2012, the scope of the project changed, affecting the service in Latin America and Spain, and certain criteria for the invoicing of services were modified, while the straight-line in arrears model was replaced with a consumption-based model. As a result of these changes, the amount of the future commitments initially agreed on has also changed. The amount invoiced during 2010-2015 amounted to EUR 160,660 thousand (the figure excludes the amounts billed by Indra to DTS and Catsa since the exit of the scope of consolidation) and the estimated future new commitments for the remainder of the contract to EUR 39,069 thousand.

Future Commitments also included the amounts derivate for the agreement reached with 3i Group, plc. for purchase by Prisa Radio, S.A. of 3i Group plc treasury shares. The liabilities derived from this operation are registered in *"Other non-current liabilities"* and *"Other non-trade payables"* for an amount of EUR 36,836 thousands and EUR 2,676 thousands, respectively in the accompanying consolidated balance sheet at December 31, 2015 (EUR 37,164 thousands and EUR 2,451 thousands, respectively at December 31, 2014).

At December 31, 2015, the Group had euro and foreign currency payment obligations and collection rights for a net amount payable of approximately EUR 82,501 thousand. This amount not includes the future commitments derived by the operating leases, which are detailed in note 15. The net amounts payable in relation to these obligations fall due as follows:

| Year | Thousands of euros |
|---|---|
| 2016 | 22,056 |
| 2017 | 22,113 |
| 2018 | 3,022 |
| 2019 | 34,657 |
| 2020 | 552 |
| 2021 and subsequent years | 100 |
| | **82,501** |

The obligation to pay the amounts agreed upon in the purchase agreements arises only if the suppliers fulfil all the contractually established terms and conditions.

These future payment obligations were estimated taking into account the agreements in force at the present date. As a result of the renegotiation of certain agreements, these obligations might differ from those initially estimated.

*Past-due payments to creditors-*

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

| | Days |
|---|---|
| Average period of payment to suppliers | 82 |
| Ratio of settled transactions | 82 |
| Ratio of transactions pending payment | 83 |
| | **Amount (thousands of euros)** |
| Total payments made | 379,562 |
| Total pending payments | 59,020 |

To calculate the average period of payment to suppliers, the payments made in 2015 for commercial operations corresponding to the delivery of goods or service provisions are taken into account, as well as the amounts for these operations pending liquidation at year end 2015 that are included under "*Trade payables*" of the attached consolidated balance sheet, referring only to the Spanish entities included in the consolidated group.

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

The maximum legal period of payment applicable in 2015 under Law 3/2004, of 29 December, for combating late payment in commercial transactions, is 60 days. The average period of payment to the Group's suppliers exceeds the statutory maximum period partially on account of agreements arrived at with suppliers to defer payments or, where relevant, to initiate expenditure.

## 26) 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 Liga 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 July 3, 2007, which was extended on July 31, 2007.

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

On October 8, 2007 Madrid Court of First Instance no. 36 granted the interim measures 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 EUR 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, something that happened with the judgment dated January 9, 2015 (explained below). Therefore, overpassed the September 14, 2015, Mediapro requested the waiver of the suspension and the continuation of the proceeding in relation to the interim measures of October 8, 2008. With a judicial order of September 28, 2015, the Court has agreed to continue with the process and has requested a judicial third party to determine, considering the Supreme Court ruling, the amount of possible damages caused with the adoption of the interim measures, granting a term of 5 months to complete that exercise.

In addition, in its judgment of March 15, 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 EUR 95 million by way of outstanding amounts owed to AVS under the provisions of the agreement of July 24, 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 June 9, 2010. In an order issued on June 21, 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 November 14, 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 July 24, 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 January 9, 2015, partially admits the first argument of the Meadiapro appeal for procedural infringement and condemns Mediapro to pay AVS EUR 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 July 24, 2006. The Supreme Court declares that the ruling of the *Audiencia Nacional* dated May 22, 2013, which is firm and confirms the Ruling of the CNC dated April 14, 2010 that declares the nullity of the t clause fifth of the Agreement dated July 24, 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 October 15, 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, those cases have been abandoned but 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.

## 27) EVENTS AFTER THE BALANCE SHEET DATE

In January 2016, Prisa arrived at an agreement to issue bonds mandatorily convertible into ordinary shares through swapping the financial debt in a minimum of EUR 100,185 thousand, for which there is an irrevocable commitment to subscribe, and a maximum of EUR 150,000 thousand.

This agreement is subject to the approval of the Annual General Meeting, and to obtaining certification issued as a special report for the Company's Auditor pursuant to the Corporate Enterprises Act and the mandatory report from an Auditor other than the company Auditor and appointed for that purpose by the Registry of Companies, the authorisation and consent of the company's creditors under existing financial commitments and the provision that there should be no material change in the financial situation of Prisa nor any suspension of or material change in the company's share price. The approval from company's creditors under existing financial commitments was obtained as of February, 2016 *(see note 1b)*.

In 2016, Prisa also continued with its debt reduction process, having agreed in February to repurchase a total of EUR 65,945 thousand of debt, using for this purpose funds from the sale of shares in DTS, with a discount of 16.02% *(see note 1b)*.

## 28) EXPLANATION ADDED FOR TRANSLATION TO ENGLISH

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

**COMPANIES INCLUDED IN THE SCOPE OF CONSOLIDATION: DECEMBER 2015**

*APPENDIX I*

| COMPANY | REGISTERED OFFICE | LINE OF BUSINESS | COMPANY HOLDING THE OWNERSHIP INTEREST | December 2015 PERCENTAGE OF OWNERSHIP | December 2015 TAX GROUP (*) |
|---|---|---|---|---|---|
| **PRISA EDUCATION** | | | | | |
| *Full Consolidation* | | | | | |
| Avalia Qualidade Educacional Ltda. | Rua Padre Adelino, 758. Belezinho. Sao Paulo. Brasil | Publishing | Santillana Educación, S.L. | 95.93% | |
| | | | Itaca, S.L. | 4.07% | |
| Distribuidora y Editora Richmond, S.A. | Edificio Punto 99, Carrera 11ª Nº98-50 Oficina 501. Bogotá. Colombia | Publishing | Santillana Educación, S.L. | 94.90% | |
| | | | Ítaca, S.L. | 4.80% | |
| | | | Edicions Voramar, S.A. | 0.10% | |
| | | | Edicions Obradoiro, S.L. | 0.10% | |
| | | | Ediciones Grazalema, S.L. | 0.10% | |
| Ediciones Grazalema, S.L. | Rafael Beca Mateos, 3. Sevilla | Publishing | Santillana Educación, S.L. | 99.98% | 2/91 |
| | | | Ítaca, S.L. | 0.02% | |
| Ediciones Santillana Inc. | 1506 Roosevelt Avenue. Guaynabo. Puerto Rico | Publishing | Santillana Educación, S.L. | 100.00% | |
| Ediciones Santillana, S.A. (Argentina) | Leandro N. Alem. 720. Buenos Aires. 1001. Argentina | Publishing | Santillana Educación, S.L. | 95.00% | |
| | | | Ítaca, S.L. | 5.00% | |
| Ediciones Santillana, S.A. (Uruguay) | Juan Manuel Blanes 1132 Montevideo Uruguay | Publishing | Santillana Educación, S.L. | 100.00% | |
| Edicions Obradoiro, S.L. | Ruela de Entrecercos. 2 2º B. 15705. Santiago de Compostela | Publishing | Santillana Educación, S.L. | 99.99% | 2/91 |
| | | | Ítaca, S.L. | 0.01% | |
| Edicions Voramar, S.A. | Valencia, 44. 46210. Pincaya. Valencia | Publishing | Santillana Educación, S.L. | 99.99% | 2/91 |
| | | | Ítaca, S.L. | 0.01% | |
| Editora Moderna Ltda. | Rua Padre Adelino, 758. Belezinho. Sao Paulo. Brasil | Publishing | Santillana Educación, S.L. | 100.00% | |
| | | | Ítaca, S.L. | 1 acción | |
| Editora Pintangua, LTDA | Rua Urbano Santos. 755. Sala 4. Bairro Cumbica. Cidade de Guarulhos. Sao Paulo. Brasil | Publishing | Editora Moderna, Ltda. | 100.00% | |
| | | | Ítaca, S.L. | 1 acción | |
| Editorial Nuevo México, S.A. de C.V. | Avenida Rio Mixcoac 274 Col Acacias. México DF. México | Publishing | Lanza, S.A. de C.V. | 100.00% | |
| | | | Editorial Santillana, S.A. de C.V. (México) | 0.00% | |
| Editorial Santillana, S.A. (Guatemala) | 26 Avenida 2-20 zona 14 . Guatemala - Guatemala | Publishing | Santillana Educación, S.L. | 99.99% | |
| | | | Ítaca, S.L. | 0.01% | |
| Editorial Santillana, S.A. (Honduras) | Colonia los Profesionales Boulevar Suyapa, Metropolis Torre 20501, Tegucigalpa Honduras | Publishing | Santillana Educación, S.L. | 99.00% | |
| | | | Ítaca, S.L. | 1.00% | |
| Editorial Santillana, S.A. (Rep. Dominicana) | Juan Sánchez Ramírez, 9. Gazcue. Santo Domingo. República Dominicana | Publishing | Santillana Educación, S.L. | 99.95% | |
| | | | Ítaca, S.L. | 0.01% | |
| | | | Edicions Voramar, S.A. | 0.01% | |
| | | | Edicions Obradoiro, S.L. | 0.01% | |
| | | | Ediciones Grazalema, S.L. | 0.01% | |
| | | | Grup Promotor D'Ensenyement i Difussió en Catalá, S.L. | 0.01% | |
| | | | Ediciones Santillana Inc. (Pto. Rico) | 0.01% | |
| Editorial Santillana, S.A. (Venezuela) | Avenida Rómulo Gallegos. Edificio Zulia 1º. Caracas. Venezuela | Publishing | Santillana Educación, S.L. | 100.00% | |
| Editorial Santillana, S.A. de C.V. (México) | Avenida Rio Mixcoac 274 Col Acacias. México DF. México | Publishing | Lanza, S.A. de C.V. | 100.00% | |
| | | | Editorial Nuevo México, S.A. de C.V. | 1 acción | |
| Editorial Santillana, S.A. de C.V. (El Salvador) | 3a. Calle Poniente Y 87 Avenida Norte, No. 311, colonia Escalon San Salvador | Publishing | Santillana Educación, S.L. | 99.95% | |
| | | | Ítaca, S.L. | 0.05% | |
| Editorial Santillana, S.A.S (Colombia) | Edificio Punto 99, Carrera 11ª Nº98-50 Oficina 501. Bogotá. Colombia | Publishing | Santillana Educación, S.L. | 94.90% | |
| | | | Ítaca, S.L. | 5.10% | |
| | | | Edicions Voramar, S.A. | 0.00% | |
| | | | Edicions Obradoiro, S.L. | 0.00% | |
| | | | Ediciones Grazalema. S.L. | 0.00% | |
| Grup Promotor D'Ensenyement i Difussió en Catalá, S.L. | Frederic Mompou, 11. V. Olímpica. Barcelona | Publishing | Santillana Educación, S.L. | 99.99% | 2/91 |
| | | | Ítaca, S.L. | 0.01% | |
| Santillana Infantil y Juvenil, S.L. | Av. de los Artesanos, 6 Tres Cantos. Madrid | Publishing | Santillana Educación, S.L. | 100.00% | 2/91 |
| | | | Edicions Obradoiro, S.L. | 1 acción | |

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

## COMPANIES INCLUDED IN THE SCOPE OF CONSOLIDATION: DECEMBER 2015

*APPENDIX I*

| COMPANY | REGISTERED OFFICE | LINE OF BUSINESS | COMPANY HOLDING THE OWNERSHIP INTEREST | December 2015 PERCENTAGE OF OWNERSHIP | TAX GROUP (*) |
|---|---|---|---|---|---|
| Grupo Santillana Educación Global, S.L. *(Antes Grupo Santillana de Ediciones, S.L.)* | Av. de los Artesanos, 6 Tres Cantos. Madrid | Publishing | Promotora de Informaciones, S.A. | 75.00% | 2/91 |
| Inevery DPS, S.L. | Av. de los Artesanos, 6 Tres Cantos. Madrid | Editorial, cultural, educational, leisure and entertainment services; and development and commercialization of educational content. | Grupo Santillana Educación Global, S.L. | 100.00% | 2/91 |
| | | | Ítaca, S.L. | 0.00% | |
| Instituto Universitario de Posgrado, S.A. *(en liquidación)* | Av. de los Artesanos, 6 Tres Cantos. Madrid | Complementary educational services | Santillana Formación, S.L. | 61.42% | |
| Ítaca, S.L. | Av. de los Artesanos, 6 Tres Cantos. Madrid | Book distribution | Grupo Santillana Educación Global, S.L. | 99.99% | 2/91 |
| | | | Santillana Educación, S.L. | 0.02% | |
| Lanza, S.A. de C.V. | Avenida Rio Mixcoac 274 Col Acacias. México DF. México | Creation, development and management of companies | Santillana Educación, S.L. | 100.00% | |
| | | | Editorial Santillana, S.A. de C.V. (México) | 0.00% | |
| Pleno Internacional, SPA | Avenida Andres Bello N° 2299 Oficina 1001 Providencia - Santiago | Advice and consulting, development and sale of software | Santillana Del Pacífico, S.A. | 70.00% | |
| Richmond Educação, Ltda. | Rua Padre Adelino, 758. Belezinho. Sao Paulo. Brasil | Publishing | Editora Moderna, Ltda. | 100.00% | |
| | | | Ítaca, S.L. | 1 acción | |
| Richmond Publishing, S.A. de C.V. | Avenida Rio Mixcoac 274 Col Acacias. México DF. México | Publishing | Lanza, S.A. de C.V. | 99.98% | |
| | | | Editorial Santillana, S.A. de C.V. (México) | 0.02% | |
| Salamandra Editorial, Ltda. | Rua Urbano Santos 755, Sala 2- Sao Paulo. Brasil | Publishing | Editora Moderna, Ltda. | 100.00% | |
| | | | Ítaca, S.L. | 1 acción | |
| Santillana Administraçao de Biens, LTDA | Rua Padre Adelino, 758, Parte, Quarta Parada, CEP 03303-904, Sao Paulo, SP | Assets management | Santillana Educación, S.L. | 100.00% | |
| | | | Ítaca, S.L. | 1 acción | |
| Santillana Canarias, S.L. | Urbanización El Mayorazgo. Parcela 14, 2-7B. Santa Cruz de Tenerife | Publishing | Santillana Educación, S.L. | 99.00% | 2/91 |
| | | | Ítaca, S.L. | 1.00% | |
| Santillana de Ediciones, S.A. (Bolivia) | Calle 13, Nº 8078. Zona de Calacoto. La Paz. Bolivia | Publishing | Santillana Educación, S.L. | 99.70% | |
| | | | Ed. Grazalema, S.L. | 0.15% | |
| | | | Ítaca, S.L. | 0.15% | |
| Santillana del Pacífico, S.A. de Ediciones. | Avenida Andres Bello 2299 Oficina 1001-1002 Providencia. Santiago Chile | Publishing | Santillana Educación, S.L. | 100.00% | |
| | | | Ítaca, S.L. | 1 acción | |
| Santillana Editores, S.A. | R. Mario Castelhano, 40 - Queluz de Baixo - 2734-502 Baracarena - Portugal | Publishing | Santillana Educación, S.L. | 100.00% | |
| Santillana Educación, S.L. | Av. de los Artesanos, 6 Tres Cantos. Madrid | Publishing | Grupo Santillana Educación Global, S.L. | 100.00% | 2/91 |
| | | | Ítaca, S.L. | 1 acción | |
| Santillana Formación, S.L. | Av. de los Artesanos, 6 Tres Cantos. Madrid | Complementary educational services | Grupo Santillana Educación Global, S.L. | 99.99% | 2/91 |
| | | | Ítaca, S.L. | 0.00% | |
| Santillana Global, S.L. *(Antes Santillana Ediciones Generales, S.L.)* | Av. de los Artesanos, 6 Tres Cantos. Madrid | Publishing | Grupo Santillana Educación Global, S.L. | 100.00% | 2/91 |
| | | | Ítaca, S.L. | 1 acción | |
| Santillana Sistemas Educativos, Ltda. (Colombia) | Edificio Punto 99, Carrera 11ª Nº98-50 Oficina 501. Bogotá. Colombia | Consultancy services for the obtainment of quality certification by schools | Santillana Sistemas Educativos, S.L. | 94.46% | |
| | | | Distribuidora y Editora Richmond S.A. | 5.54% | |
| Santillana Sistemas Educativos, S.L. | Av. de los Artesanos, 6 Tres Cantos. Madrid | Publishing | Grupo Santillana Educación Global, S.L. | 99.99% | 2/91 |
| | | | Ítaca, S.L. | 0.01% | |
| Santillana USA Publishing Co. Inc. | 2023 NW 84th Avenue. Doral. Florida. EE.UU. | Publishing | Grupo Santillana Educación Global, S.L. | 100.00% | |
| Santillana, S.A. (Costa Rica) | La Uruca. 200 m Oeste de Aviación Civil. San José. Costa Rica | Publishing | Santillana Educación, S.L. | 99.99% | |
| | | | Ítaca, S.L. | 0.01% | |
| Santillana, S.A. (Ecuador) | Calle De las Higueras 118 y Julio Arellano. Quito. Ecuador | Publishing | Santillana Educación, S.L. | 100.00% | |
| | | | Ítaca, S.L. | 1 acción | |
| Santillana, S.A. (Paraguay) | Avenida Venezuela. 276. Asunción. Paraguay | Publishing | Santillana Educación, S.L. | 99.89% | |
| | | | Ediciones Santillana, S.A. (Argentina) | 0.11% | |
| Santillana, S.A. (Perú) | Avenida Primavera 2160. Santiago de Surco. Lima. Perú | Publishing | Santillana Educación, S.L. | 95.00% | |
| Sistemas de Ensino Uno, Ltda. | Rua Padre Adelino, 758. Belezinho. Sao Paulo. Brasil | Publishing | Santillana Sistemas Educativos, S.L. | 100.00% | |
| | | | Ítaca, S.L. | 1 acción | |
| Sistemas Educativos de Enseñanza, S.A. de C.V. | Avenida Rio Mixcoac 274 Col Acacias. México DF. México | Publishing | Santillana Sistemas Educativos, S.L. | 99.98% | |
| | | | Lanza, S.A. de C.V. | 0.02% | |
| | | | Nuevo México, S.A. de C.V. | 1 acción | |
| Vanguardia Educativa Santillana Compartir, S.A. de C.V. | Avenida Rio Mixcoac 274 Col Acacias. México DF. México | Publishing | Editorial Santillana, S.A. de C.V. | 70.00% | |
| | | | Lanza, S.A. de C.V. | 30.00% | |
| Zubia Editoriala, S.L. | Polígono Lezama Leguizamon. Calle 31. Etxebarri. Vizcaya | Publishing | Santillana Educación, S.L. | 99.90% | 2/91 |
| | | | Ítaca, S.L. | 0.10% | |

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

## COMPANIES INCLUDED IN THE SCOPE OF CONSOLIDATION: DECEMBER 2015

*APPENDIX I*

| COMPANY | REGISTERED OFFICE | LINE OF BUSINESS | COMPANY HOLDING THE OWNERSHIP INTEREST | December 2015 PERCENTAGE OF OWNERSHIP | December 2015 TAX GROUP (*) |
|---|---|---|---|---|---|
| **PRISA RADIO** | | | | | |
| **RADIO SPAIN** | | | | | |
| *Full Consolidation* | | | | | |
| Antena 3 de Radio de León, S.A. | Gran Vía, 32. Madrid | Operation of radio broadcasting stations | Antena 3 de Radio, S.A. | 99.56% | |
| Antena 3 de Radio de Melilla, S.A. | Gran Vía, 32. Madrid | Operation of radio broadcasting stations | Antena 3 de Radio, S.A. | 100.00% | 2/91 |
| Antena 3 de Radio, S.A. | Gran Vía, 32. Madrid | Operation of radio broadcasting stations | Sociedad Española de Radiodifusión, S.L. | 65.39% | 2/91 |
| | | | Unión Radio Servicios Corporativos, S.A. | 34.61% | |
| Compañía Aragonesa de Radiodifusión, S.A. | Paseo de la Constitución, 21. Zaragoza | Operation of radio broadcasting stations | Sociedad Española de Radiodifusión, S.L. | 97.03% | |
| Ediciones LM, S.L. | Plaza de Cervantes, 6. Ciudad Real | Operation of radio broadcasting stations | Prisa Radio, S.L. | 50.00% | |
| Gestión de Marcas Audiovisuales, S.A. | Gran Vía, 32. Madrid | Production and recording of sound media | Sociedad Española de Radiodifusión, S.L. | 100.00% | 2/91 |
| Gran Vía Musical de Ediciones, S.L. | Gran Vía, 32. Madrid | Provision of music services | Prisa Radio, S.L. | 100.00% | 2/91 |
| | | | Plural Entertainment España | 0.00% | |
| Iniciativas Radiofónicas de Castilla La Mancha, S.A. | Carreteros, 1. Toledo | Operation of radio broadcasting stations | Ediciones LM, S.L. | 40.00% | |
| | | | Prisa Radio, S.L. | 50.00% | |
| Iniciativas Radiofónicas, S.A. | Gran Vía, 32. Madrid | Operation of radio broadcasting stations | Sociedad Española de Radiodifusión, S.L. | 93.42% | |
| La Palma Difusión, S.A. | Almirante Díaz Pimienta, 10. Los Llanos de Aridane. Santa Cruz de Tenerife | Operation of radio broadcasting stations | Antena 3 de Radio, S.A. | 100.00% | 2/91 |
| Ondas Galicia, S.A. | San Pedro de Mezonzo, 3. Santiago de Compostela | Operation of radio broadcasting stations | Sociedad Española de Radiodifusión, S.L. | 46.25% | |
| Prisa Música América, S.A.S. | CALLE 98 Nº 18 – 71 OFICINA 401 | Production and organisation of shows and events | Prisa Música, S.A. | 100.00% | |
| Prisa Música, S.A ( *Anteriormente Unión Radio Online, S.A.)* | Gran Vía, 32. Madrid | Production and organisation of shows and events | Prisa Radio, S.L. | 100.00% | 2/91 |
| | | | Nova Ediciones Musicales, S.A. | 1 acción | |
| Prisa Radio, S.A. | Gran Vía, 32. Madrid | Provision of services to radio broadcasting companies | Prisa Participadas, S.L. | 73.49% | 2/91 |
| | | | Prisa Radio, S.L. | 2.03% | |
| Propulsora Montañesa, S. A. | Pasaje de Peña. Nº 2. Interior. 39008. Santander | Operation of radio broadcasting stations | Sociedad Española de Radiodifusión, S.L. | 95.57% | |
| | | | Propulsora Montañesa, S. A. | 4.32% | |
| Radio Club Canarias, S.A. | Avenida Anaga, 35. Santa Cruz de Tenerife | Operation of radio broadcasting stations | Sociedad Española de Radiodifusión, S.L. | 95.00% | |
| Radio España de Barcelona, S.A. | Caspe, 6. Barcelona | Operation of radio broadcasting stations | Sociedad Española de Radiodifusión, S.L. | 99.32% | |
| Radio Lleida, S.L. | Calle Vila Antonia. Nº 5. Lleida | Operation of radio broadcasting stations | Sociedad Española de Radiodifusión, S.L. | 44.33% | |
| | | | Radio España de Barcelona, S.A. | 22.17% | |
| Radio Murcia, S.A. | Radio Murcia, 4. Murcia | Operation of radio broadcasting stations | Sociedad Española de Radiodifusión, S.L. | 83.33% | |
| Radio Zaragoza, S.A. | Paseo de la Constitución, 21. Zaragoza | Operation of radio broadcasting stations | Compañía Aragonesa de Radiodifusión, S.A. | 66.00% | |
| | | | Sociedad Española de Radiodifusión, S.L. | 24.00% | |
| Sociedad Española de Radiodifusión, S.L. | Gran Vía, 32. Madrid | Operation of radio broadcasting stations | Prisa Radio, S.L. | 99.99% | 2/91 |
| Sociedad Independiente Comunicación Castilla La Mancha, S.A. | Avenida de la Estación, 5 Bajo. Albacete | Operation of radio broadcasting stations | Antena 3 de Radio, S.A. | 74.60% | |
| Societat de Comunicacio i Publicidat, S.L. | Parc. de la Mola, 10 Torre Caldea, 6º Escalde. Engordany. Andorra | Operation of radio broadcasting stations | Sociedad Española de Radiodifusión, S.L. | 99.00% | |
| | | | Unión Radio del Pirineu, S.A. | 1.00% | |
| Sogecable Música, S.L. | Gran Vía, 32. Madrid | Creation, broadcasting, distribution and operation of thematic television channels | Sociedad Española de Radiodifusión, S.L. | 100.00% | 2/91 |
| Sonido e Imagen de Canarias, S.A. | Caldera de Bandama, 5. Arrecife. Lanzarote | Operation of radio broadcasting stations | Antena 3 de Radio, S.A. | 50.00% | |
| Teleradio Pres, S.L. | Avenida de la Estación, 5 Bajo. Albacete | Media management | Antena 3 de Radio, S.A. | 75.10% | |
| Teleser, S.A. | Gran Vía, 32. Madrid | Operation of radio broadcasting stations | Sociedad Española de Radiodifusión, S.L. | 72.59% | |
| | | | Compañía Aragonesa de Radiodifusión, S.A. | 4.14% | |
| | | | Radio España de Barcelona, S.A. | 1.58% | |
| | | | Propulsora Montañesa, S. A. | 0.95% | |
| Unión Radio de Servicios Corporativos, S.A.U | Gran Vía, 32. Madrid | Holdings in radio broadcasting companies | Prisa Radio, S.L. | 100.00% | 2/91 |
| Unión Radio Digital, S.A. | Gran Vía, 32. Madrid | Operation of digital radio broadcasting concession | Sociedad Española de Radiodifusión, S.L. | 60.00% | 2/91 |
| | | | Antena 3 de Radio, S.A. | 40.00% | |
| *Equity Method* | | | | | |
| Radio Jaén, S.L. | Obispo Aguilar, 1. Jaén | Operation of radio broadcasting stations | Prisa Radio, S.L. | 35.99% | |
| Unión Radio del Pirineu, S.A. | Carrer Prat del Creu, 32. Andorra | Operation of radio broadcasting stations | Prisa Radio, S.L. | 33.00% | |

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

| COMPANY | REGISTERED OFFICE | LINE OF BUSINESS | COMPANY HOLDING THE OWNERSHIP INTEREST | December 2015 PERCENTAGE OF OWNERSHIP | December 2015 TAX GROUP |
|---|---|---|---|---|---|
| **INTERNATIONAL RADIO** | | | | | |
| *Full Consolidation* | | | | | |
| Abril, S.A. | Eliodoro Yañex. Nº 1783. Comuna Providencia Santiago. Chile | Commercial radio broadcasting services and operation of radio stations | Iberoamericana Radio Chile, S.A. | 100.00% | |
| | | | Comercializadora Iberoamericana Radio Chile, S.A. | 0.00% | |
| Aurora, S.A. | Eliodoro Yañex. Nº 1783. Comuna Providencia Santiago. Chile | Commercial radio broadcasting services and operation of radio stations | Iberoamerican Radio Holding Chile, S.A. | 99.98% | |
| | | | Comercializadora Iberoamericana Radio Chile, S.A. | 0.02% | |
| Blaya y Vega, S.A. | Eliodoro Yañex. Nº 1783. Comuna Providencia Santiago. Chile | Commercial radio broadcasting services and operation of radio stations | Radiodifusion Iberoamerican Chile S.A. | 100.00% | |
| | | | Comercializadora Iberoamericana Radio Chile, S.A. | 0.00% | |
| Caracol Broadcasting Inc. | 2100 Coral Way - Miami 33145 - Florida, EE.UU. | Operation of radio broadcasting stations | GLR Broadcasting LLC | 100.00% | |
| Caracol Estéreo, S.A. | Calle 67 Nº 7-37 Piso 7 Bogotá. Colombia | Commercial radio broadcasting services | Sociedad Española de Radiodifusión, S.L. | 77.04% | |
| Caracol, S.A. | Calle 67 Nº 7-37 Piso 7 Bogotá. Colombia | Commercial radio broadcasting services | Sociedad Española de Radiodifusión, S.L. | 77.05% | |
| Comercializadora Iberoamericana Radio Chile, S.A. | Eliodoro Yañex. Nº 1783. Comuna Providencia Santiago. Chile | Prodution and sale of CD's, advertising, promotions and events | GLR Chile Ltda . | 99.84% | |
| | | | Sociedad Española de Radiodifusión, S.L. | 0.16% | |
| Compañía de Comunicaciones de Colombia C.C.C. Ltda. | Calle 67 Nº 7-37 Piso 7 Bogotá. Colombia | Commercial radio broadcasting services | Caracol, S.A. | 43.45% | |
| | | | Promotora de Publicidad Radial, S.A. | 19.27% | |
| | | | Sociedad Española de Radiodifusión, S.L. | 16.72% | |
| | | | Caracol Estéreo, S.A. | 11.13% | |
| | | | Ecos de la Montaña Cadena Radial Andina. S.A. | 4.42% | |
| Compañía de Radios, S.A. | Eliodoro Yañex. Nº 1783. Comuna Providencia Santiago. Chile | Commercial radio broadcasting services and operation of radio stations | Iberoamerican Radio Holding Chile, S.A. | 99.92% | |
| | | | Comercializadora Iberoamericana Radio Chile, S.A. | 0.08% | |
| Comunicaciones del Pacífico, S.A. | Eliodoro Yañex. Nº 1783. Comuna Providencia Santiago. Chile | Operation and management of TV channels and radio stations | Comercializadora Iberoamericana Radio Chile, S.A. | 66.67% | |
| | | | Iberoamericana Radio Chile, S.A. | 33.33% | |
| Comunicaciones Santiago, S.A. | Eliodoro Yañex. Nº 1783. Comuna Providencia Santiago. Chile | Operation and management of TV channels and radio stations | Sociedad Radiodifusora del Norte, Ltda. | 75.00% | |
| | | | Iberoamericana Radio Chile, S.A. | 25.00% | |
| Consorcio Radial de Panamá, S.A | Urbanización Obarrio, Calle 54 Edificio Caracol. Panamá | Advisory services and commercialisation of services and products | Sociedad Española de Radiodifusión, S.L. | 100.00% | |
| Corporación Argentina de Radiodifusión, S.A. | Beazley 3860. Buenos Aires. Argentina | Operation of radio broadcasting stations | GLR Services Inc. | 98.95% | |
| | | | Ediciones Santillana, S.A. (Argentina) | 1.05% | |
| CHR, Cadena Hispanoamericana de Radio, S.A. | Calle 67 Nº 7-37 Piso 7 Bogotá. Colombia | Commercial radio broadcasting services | Caracol, S.A. | 48.15% | |
| | | | Caracol Estéreo, S.A. | 46.79% | |
| | | | Promotora de Publicidad Radial, S.A. | 5.06% | |
| | | | Compañía de Comunicaciones C.C.C. Ltda. | 0.00% | |
| | | | Radio Mercadeo. Ltda. | 0.00% | |
| Ecos de la Montaña Cadena Radial Andina, S.A. | Calle 67. Nº 7-37. Piso 7. Bogotá. Colombia | Commercial radio broadcasting services | Sociedad Española de Radiodifusión, S.L. | 76.80% | |
| Emisora Mil Veinte, S.A. | Calle 67. Nº 7-37. Piso 7. Bogotá. Colombia | Commercial radio broadcasting services | Sociedad Española de Radiodifusión, S.L. | 75.72% | |
| Fast Net Comunicaciones, S.A. | Eliodoro Yañex. Nº 1783. Comuna Providencia Santiago. Chile | Commercial radio broadcasting services and operation of radio stations | Comunicaciones Santiago, S.A. | 99.00% | |
| | | | Iberoamericana Radio Chile, S.A. | 1.00% | |
| GLR Broadcasting, LLC | Baypoint Office Tower, 4770 BiScayne Blvd. Suite 700 Miami. FL 33137. EE.UU. | Operation of radio broadcasting stations | GLR Services Inc. | 100.00% | |
| GLR Colombia, Ltda. | Calle 67. Nº 7-37. Piso 7. Bogotá. Colombia | Provision of services to radio broadcasting companies | Sociedad Española de Radiodifusión, S.L. | 99.00% | |
| | | | Prisa División Internacional, S.L. | 1.00% | |
| GLR Chile, Ltda. | Eliodoro Yañex. Nº 1783. Comuna Providencia Santiago. Chile | Operation of radio broadcasting stations | Sociedad Española de Radiodifusión, S.L. | 100.00% | |
| | | | Caracol, S.A. | 0.00% | |
| GLR Networks, LLC | Baypoint Office Tower, 4770 BiScayne Blvd. Suite 700 Miami. FL 33137. EE.UU. | Provision of services to radio broadcasting companies | GLR Services Inc. | 100.00% | |
| GLR Services Inc. | Baypoint Office Tower, 4770 BiScayne Blvd. Suite 700 Miami. FL 33137. EE.UU. | Provision of services to radio broadcasting companies | Sociedad Española de Radiodifusión, S.L. | 100.00% | |
| GLR Southern California, LLC | 3500 Olive Avenue Suite 250 Burbank, CA 91505. EE.UU. | Provision of services to radio broadcasting companies | GLR Broadcasting LLC | 100.00% | |
| Iberoamerican Radio Holding Chile, S.A. | Eliodoro Yañex. Nº 1783. Comuna Providencia Santiago. Chile | Commercial radio broadcasting services and operation of radio stations | Iberoamericana Radio Chile, S.A. | 100.00% | |
| | | | Comercializadora Iberoamericana Radio Chile, S.A. | 0.00% | |
| Iberoamericana Radio Chile, S.A. | Eliodoro Yañex. Nº 1783. Comuna Providencia Santiago. Chile | Commercial radio broadcasting services and operation of radio stations | Grupo Latino de Radiodifusion Chile Ltda . | 100.00% | |
| | | | Sociedad Española de Radiodifusión, S.L. | 0.00% | |
| La Voz de Colombia, S.A. | Calle 67. Nº 7-37. Piso 7. Bogotá. Colombia | Commercial radio broadcasting services | Sociedad Española de Radiodifusión, S.L. | 75.64% | |
| | | | Caracol, S.A. | 0.01% | |
| LS4 Radio Continental, S.A | Rivadavia 835. Ciudad Autónoma de Buenos Aires. Argentina | Radio broadcasting and advertising services | GLR Services Inc. | 70.00% | |
| | | | Corporación Argentina de Radiodifusión, S.A. | 30.00% | |
| Promotora de Publicidad Radial, S.A. | Calle 67. Nº 7-37. Piso 7. Bogotá. Colombia | Commercial radio broadcasting services | Sociedad Española de Radiodifusión, S.L. | 77.04% | |
| Publicitaria y Difusora del Norte Ltda. | Eliodoro Yañex. Nº 1783. Comuna Providencia Santiago. Chile | Radio broadcasting | Comercializadora Iberoamericana Radio Chile, S.A. | 99.00% | |
| | | | Iberoamericana Radio Chile, S.A. | 1.00% | |
| Radio Estéreo, S.A | Rivadavia 835. Ciudad Autónoma de Buenos Aires. Argentina | Radio broadcasting and advertising services | GLR Services Inc. | 70.00% | |
| | | | Corporación Argentina de Radiodifusión, S.A. | 30.00% | |
| Radiodifusion Iberoamerican Chile S.A. | Eliodoro Yañex. Nº 1783. Comuna Providencia Santiago. Chile | Holding | Iberoamericana Radio Chile S.A. | 100.00% | |
| | | | Sociedad Española de Radiodifusión, S.L. | 0.00% | |

COMPANIES INCLUDED IN THE SCOPE OF CONSOLIDATION: DECEMBER 2015



| COMPANY | REGISTERED OFFICE | LINE OF BUSINESS | COMPANY HOLDING THE OWNERSHIP INTEREST | December 2015 PERCENTAGE OF OWNERSHIP | TAX GROUP (*) |
|---|---|---|---|---|---|
| Radio Mercadeo, Ltda. | Calle 67. Nº 7-37. Piso 7. Bogotá. Colombia | Commercial radio broadcasting services | Sociedad Española de Radiodifusión, S.L. | 48.40% | |
| | | | Caracol, S.A. | 29.85% | |
| | | | Caracol Estéreo, S.A. | 0.35% | |
| | | | Emisora Mil Veinte, S.A. | 0.35% | |
| | | | Promotora de Publicidad Radial, S.A. | 0.35% | |
| | | | Ecos de la Montaña Cadena Radial Andina, S.A. | 0.01% | |
| Sociedad de Radiodifusión El Litoral, S.L. | Eliodoro Yañex. Nº 1783. Comuna Providencia Santiago. Chile | Rental of equipment and advertising sales | Iberoamericana Radio Chile, S.A. | 99.9% | |
| | | | Comercializadora Iberoamericana Radio Chile, S.A. | 0.10% | |
| Sociedad Radiodifusora del Norte, Ltda. | Eliodoro Yañex. Nº 1783. Comuna Providencia Santiago. Chile | Operation of radio broadcasting stations | Comercializadora Iberoamericana Radio Chile, S.A. | 80.00% | |
| | | | Iberoamericana Radio Chile S.A | 20.00% | |
| W3 Comm Inmobiliaria, S.A. de C.V. | Carretera Libre Tijuana. Ensenada 3100. Rancho Altamira Blvd Popotla y Camino al FRACC Misión del Mar. Playas de Rosarito. Baja California. EE.UU. | Real estate development services | Sociedad Española de Radiodifusión, S.L. | 99.99% | |
| | | | Prisa División Internacional, S.L. | 1 acción | |
| *Equity Method* | | | | | |
| Cadena Radiodifusora Mexicana, S.A. de C.V. | Calzada de Tlalpan 3000 col Espartaco México D.F. 04870. México | Operation of radio broadcasting stations | Sistema Radiópolis, S.A. de C.V. | 99.99% | |
| | | | Radio Comerciales, S.A. de C.V. | 0.01% | |
| El Dorado Broadcasting Corporation | 2100 Coral Way. Miami. Florida. EE.UU. | Development of the Latin radio market in the US | GLR Services INC. | 25.00% | |
| GLR Costa Rica, S.A. | Llorente de Tibás. Edifico La Nación. San José. Costa Rica | Operation of radio broadcasting stations | Sociedad Española de Radiodifusión, S.L. | 50.00% | |
| Green Emerald Business Inc. | Calle 54. Obarrio Nº 4. Ciudad de Panamá. Panamá | Development of the Latin radio market in Panama | Sociedad Española de Radiodifusión, S.L. | 34.95% | |
| Multimedios GLP Chile SPA | Av. Andrés Bello 2325 Piso 9, Providencia | Exploitation of media | Iberoamericana Radio Chile, S.A. | 50.00% | |
| Promotora Radial del Llano, LTDA | Calle 67 Nº 7-37 Piso 7 Bogotá. Colombia | Commercial broadcasting services | Caracol, S.A. | 25,00% | |
| | | | Promotora de Publicidad Radial, S.A. | 25,00% | |
| Q'Hubo Radio, S.A.S | CL 57 No 17 – 48 Bogotá, Colombia | Exploitation of broadcasting and advertising business in all aspects. | Caracol, S.A. | 50.00% | |
| Radio Comerciales, S.A. de C.V. | Rubén Darío nº 158. Guadalajara. México | Operation of radio broadcasting stations | Sistema Radiópolis, S.A. de C.V. | 99.97% | |
| | | | Cadena Radiodifusora Mexicana, S.A. de C.V. | 0.03% | |
| Radio Melodía, S.A. de C.V. | Rubén Darío nº 158. Guadalajara. México | Operation of radio broadcasting stations | Cadena Radiodifusora Mexicana, S.A. de C.V. | 99.00% | |
| | | | Radio Comerciales, S.A. de C.V. | 1.00% | |
| Radio Tapatía, S.A. de C.V. | Rubén Darío nº 158. Guadalajara. México | Operation of radio broadcasting stations | Cadena Radiodifusora Mexicana, S.A. de C.V. | 99.00% | |
| | | | Radio Comerciales, S.A. de C.V. | 1.00% | |
| Radiotelevisora de Mexicali, S.A. de C.V. | Avenida Reforma 1270. Mexicali Baja California. México | Operation of radio broadcasting stations | Sistema Radiópolis, S.A. de C.V. | 99.99% | |
| | | | Radio Comerciales, S.A. de C.V. | 0.01% | |
| Servicios Radiópolis, S.A. de C.V. | Calzada de Tlalpan 3000 col Espartaco México D.F. 04870. México | Operation of radio broadcasting stations | Sistema Radiópolis, S.A. de C.V. | 100.00% | |
| | | | Radio Comerciales, S.A. de C.V. | 0.00% | |
| Servicios Xezz, S.A. de C.V. | Calzada de Tlalpan 3000 col Espartaco México D.F. 04870. México | Operation of radio broadcasting stations | Xezz, S.A. de C.V. | 100.00% | |
| | | | Radio Comerciales, S.A. de C.V. | 0.00% | |
| Sistema Radiópolis, S.A. de C.V. | Avenida Vasco de Quiroga 2000. México D.F. México | Operation of radio broadcasting stations | Sociedad Española de Radiodifusión, S.L. | 50.00% | |
| W3 Comm Concesionaria, S.A. de C.V. | Carretera Libre Tijuana. Ensenada 3100. Rancho Altamira Blvd Popotla y Camino al FRACC Misión del Mar. Playas de Rosarito. Baja California. EE.UU. | Advisory services on business administration and organisation | Sociedad Española de Radiodifusión, S.L. | 48.98% | |
| WSUA Broadcasting Corporation | 2100 Coral Way. Miami. Florida. EE.UU. | Radio broadcasting | El Dorado Broadcasting Corporation | 100.00% | |
| Xezz, S.A. de C.V. | Rubén Darío nº 158. Guadalajara. México | Operation of radio broadcasting stations | Cadena Radiodifusora Mexicana, S.A. de C.V. | 99.00% | |
| | | | Radio Comerciales, S.A. de C.V. | 1.00% | |
| **MUSIC** | | | | | |
| *Full Consolidation* | | | | | |
| Compañía Discográfica Muxxic Records, S.A. | Gran Vía, 32. Madrid | Production and recording of sound media | Gran Vía Musical de Ediciones, S.L. | 100.00% | 2/91 |
| | | | Nova Ediciones Musicales, S.A. | 1 acción | |
| Gran Vía Musical, S.A.S. | Calle 67. Nº 7 - 37. Piso 7º. Bogotá. Colombia. | Provision of music services | Gran Vía Musical de Ediciones, S.L. | 100.00% | |
| Lirics and Music, S.L. | Gran Vía, 32. Madrid | Music publishing | Gran Vía Musical de Ediciones, S.L. | 100.00% | 2/91 |
| Merchandising on Stage, S.L. | Ulises, 49. 28043. Madrid | Production and/or import of textile articles, jewellery, graphic materials, phonographic and/or audiovisual media and the related silkscreen printing, embossing or printing by any means or process | Gran Vía Musical de Ediciones, S.L. | 100.00% | 2/91 |
| Nova Ediciones Musicales,S.A. | Gran Vía, 32. Madrid | Music publishing | Gran Vía Musical de Ediciones, S.L. | 100.00% | 2/91 |
| | | | Promotora de Informaciones, S.A. | 1 acción | |
| Planet Events,S.A. | Gran Vía, 32. Madrid | Production and organisation of shows and events | Gran Vía Musical de Ediciones, S.L. | 100.00% | |
| RLM Colombia, S.A.S | Calle 67. Nº 7 - 37. Piso 7º. Bogotá. Colombia. | Production and organisation of shows and events | RLM, S.A. | 100.00% | |
| RLM, S.A. | Puerto de Santa María, 65. 28043. Madrid | Production and organisation of shows and events | Gran Vía Musical de Ediciones, S.L. | 50.50% | |

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

## COMPANIES INCLUDED IN THE SCOPE OF CONSOLIDATION: DECEMBER 2015

*APPENDIX I*

| COMPANY | REGISTERED OFFICE | LINE OF BUSINESS | COMPANY HOLDING THE OWNERSHIP INTEREST | December 2015 PERCENTAGE OF OWNERSHIP | December 2015 TAX GROUP (*) |
|---|---|---|---|---|---|
| **PRESS** | | | | | |
| *Full Consolidation* | | | | | |
| Agrupación de Servicios de Internet y Prensa, S.L. | Valentín Beato, 44. Madrid | Administrative, technological and legal services and the distribution of written and digital media | Diario El País, S.L. | 100.00% | 2/91 |
| As Chile SPA | Eliodoro Yáñez 1783, Providencia. Santiago. Chile | Publication and operation of As newspaper in Chile | Diario As, S.L. | 100.00% | |
| Diario AS Colombia, SAS | Cl 98, nº 1871 OF401. Bogotá D.C. | Publication and operation of As newspaper in Colombia | Diario As, S.L. | 100.00% | |
| Diario As USA, Inc | 2100 Coral Way Suite 603. 33145 Miami, Florida | Publication and operation of As newspaper in USA | Diario As, S.L. | 100.00% | |
| Noticias AS México S.A. de C.V. | México DF | Publication and operation of As newspaper in México | Diario As, S.L.<br>Prisa Noticias, S.L. | 99.00%<br>1.00% | |
| Diario As, S.L. | Valentín Beato, 44. Madrid | Publication and operation of As newspaper | Grupo Empresarial de Medios Impresos y Digitales, S.L | 75.00% | 2/91 |
| Diario El País Argentina, S.A. | Leandro N. Alem. 720. Buenos Aires. 1001. Argentina | Operation of El País newspaper in Argentina | Diario El País, S.L.<br>Diario El País México, S.A. de C.V. | 90.56%<br>9.44% | |
| Diario El País Do Brasil Distribuidora de Publicaçoes, LTDA. | Rua Padre Adelino. 758 Belezinho. CEP 03303-904. Sao Paulo. Brasil | Operation of El País newspaper in Brazil | Diario El País, S.L.<br>Ediciones El País, S.L. | 99.99%<br>0.01% | |
| Diario El País México, S.A. de C.V. | Avenida Universidad 767. Colonia del Valle. México D.F. México | Operation of El País newspaper in Mexico | Diario El País, S.L.<br>Promotora de Informaciones, S.A.<br>Lanza, S.A. de C.V. | 94.19%<br>5.81%<br>1 acción | |
| Diario El País de Colombia SAS | Calle 98 No 18- 71 oficinas 401 -402 del edificio Varese Bogotá | Operation of El País newspaper in Colombia | Diario El País, S.L. | 100.00% | |
| Diario El País, S.L. | Miguel Yuste, 40. Madrid | Publication and operation of El País newspaper | Prisa Noticias, S.L.<br>Fund. Santillana | 100.00%<br>0.00% | 2/91 |
| Ediciones El País (Chile) Limitada. | Eliodoro Yáñez 1783, Providencia. Santiago. Chile | Publication, operation and sale of El País newspaper in Chile | Ediciones El País, S.L.<br>Grupo Empresarial de Medios Impresos y Digitales, S.L | 100.00%<br>0.00% | |
| Ediciones El País, S.L. | Miguel Yuste, 40. Madrid | Publication, operation and sale of El País newspaper | Diario El País, S.L.<br>Fund. Santillana | 99.99%<br>0.01% | 2/91 |
| Espacio Digital Publishing, S.L. | Gran Vía, 32. Madrid | Edition and explotation of Huffinton Post digital for Spain. | Prisa Noticias, S.L. | 100.00% | 2/91 |
| Estructura, Grupo de Estudios Económicos, S.A. | Miguel Yuste, 42. Madrid | Publication and operation of Cinco Días newspaper | Grupo Empresarial de Medios Impresos y Digitales, S.L | 100.00% | 2/91 |
| Grupo de Medios Impresos y Digitales, S.L. *(Anteriormente Grupo Empresarial de Medios Impresos, S.L.)* | Gran Vía, 32. Madrid | Ownership of shares of publishing companies | Prisa Noticias, S.L. | 100.00% | 2/91 |
| Meristation Magazine, S.L. | Almogavers 12. Llagostera. Girona | Documentation provision services | Promotora General de revistas,S.A. | 100.00% | 2/91 |
| Pressprint, S.L.U. | Valentín Beato, 44. Madrid | Production, printing, publication and distribution of products | Diario El País, S.L. | 100.00% | 2/91 |
| Prisa Eventos, S.L. | Miguel Yuste, 40 Madrid | Sole rights of advertising in all the means and designs. Organization management and comercialization of activities and cultural sports, promocionals. | Prisa Noticias, S.L. | 100.00% | 2/91 |
| Prisa Noticias, S.L. | Gran Vía, 32. Madrid | Operation of press media | Promotora de Informaciones, S.A. | 100.00% | 2/91 |
| Promotora General de Revistas, S.A. | Valentín Beato, 48. Madrid | Publication production and operation of magazines | Grupo Empresarial de Medios Impresos y Digitales, S.L<br>Promotora de Informaciones, S.A. | 99.96%<br>0.04% | 2/91 |
| *Equity Method* | | | | | |
| Betmedia Soluciones, S.L. | Rua de Garrucha, 8, Santa Crua, 15179 A Coruña | Development, management and operation of websites, platforms and software to perform game-related activities | Prisa Noticias, S.L. | 25.00% | |
| Kioskoymás, Sociedad Gestora de la Plataforma Tecnológica, S.L. | Juan Ignacio Luca de Tena, 7. Madrid | Publication and operation of newspapers, magazines in digital format | Prisa Noticias, S.L. | 50.00% | |
| Le Monde Libre Societé Comandité Simple | 17, Place de la Madeleine. París | | Prisa Noticias, S.L. | 20.00% | |

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

**COMPANIES INCLUDED IN THE SCOPE OF CONSOLIDATION: DECEMBER 2015**



| COMPANY | REGISTERED OFFICE | LINE OF BUSINESS | COMPANY HOLDING THE OWNERSHIP INTEREST | December 2015 PERCENTAGE OF OWNERSHIP | December 2015 TAX GROUP (*) |
|---|---|---|---|---|---|
| **MEDIA CAPITAL** | | | | | |
| *Full Consolidation* | | | | | |
| Argumentos para Audiovisual, Lda. (CASA DA CRIAÇAO) | Avenida Liberdade. Nº 144/156 - 6º Dto. 1250-146. Lisboa. Portugal | Creation, development, translation and adaptation of texts and ideas for television programmes, films, entertainment, advertising and theatre | Plural Entertainment Portugal, S.A. | 100.00% | |
| COCO-Companhia de Comunicação, S.A. | Rua Padre Antonio Vieira n.º 5, 2º Lisboa - Portugal | | Radio Comercial, S.A. (COMERCIAL) | 100.00% | |
| Comunicações Sonoras, Unipessoal, LTDA. (DRUMS) | Rua Tenente Valadim, nº 181, Porto Portugal | Activity sound broadcasting domains of production | Produçoes Audiovisuais, S.A. (RADIO CIDADE) | 100.00% | |
| Emissoes de Radiodifusao, S.A. (RADIO REGIONAL DE LISBOA) | Rua Sampaio e Pina. 24/26. 1099-044. Lisboa. Portugal | Radio broadcasting | Media Capital Rádios, S.A (MCR II) | 100.00% | |
| Empresa de Meios Audiovisuais, Lda. (EMAV) | Quinta Do Olival Das Minas. Lote 9. Vialonga. 2625-577. Vialonga. Portugal | Purchase, sale and rental of audiovisual media (cameras, videos, special filming and lighting equipment, cranes, rails, etc. ) | Plural Entertainment Portugal, S.A. | 100.00% | |
| Empresa Portuguesa de Cenários, Lda. (EPC) | Quinta Do Olival Das Minas. Lote 9. Vialonga. 2625-577. Vialonga. Portugal | Design, construction and installation of decorating accessories | Plural Entertainment Portugal, S.A. | 100.00% | |
| Grupo Media Capital, SGPS, S. A. | Rua Mário Castlhano nº 40. Queluz de Baixo. Portugal | Holdings | Vertix, SGPS, S.A | 94.69% | |
| Leirimedia, Produçoes e Publicidade, LDA | Avenida Dr.Fco. Sá Carneiro,Quinta da cascalheira,lote8 loja1 LEIRIA | Information and communication activities | Emissoes de Radiodifusao, S.A. (RADIO REGIONAL DE LISBOA) | 100.00% | |
| Media Capital Digital, S.A | Rua Mário Castelhano. Nº 40. 2734-502. Barcarena. Portugal | Publication, multimedia production, distribution, consultancy, sales (mail order, telephone and other) of goods and services as well as the acquisition, supply, preparation and dissemination of journalism by any means | Media Global, SGPS, S.A. (MEGLO) | 100.00% | |
| Media Capital Música e Entretenimento, S.A (MCME) | Rua Mário Castelhano. Nº 40. 2734-502. Barcarena. Portugal | Publication, graphic arts and the reproduction of recorded media: magazines, audio publication, video reproduction and the provision of services related to music, the radio, television, film, theatre and literary magazines | Media Global, SGPS, S.A. (MEGLO) | 100.00% | |
| Media Capital Produçoes, S.A. (MCP) | Rua Mário Castelhano. Nº 40. 2734-502. Barcarena. Portugal | Design, development, production, promotion, sale, acquisition, exploitation rights, recording, distribution and dissemination of audiovisual media | Media Global, SGPS, S.A. (MEGLO) | 100.00% | |
| Media Capital Produçoes - Investimentos, SGPS, S.A. | Rua Mário Castelhano. Nº 40. 2734-502. Barcarena. Portugal | Holdings | Media Capital Produçoes, S.A. (MCP) | 100.00% | |
| Media Capital Rádios, S.A (MCR II) | Rua Mário Castelhano. Nº 40. 2734-502. Barcarena. Portugal | Provision of services in the areas of accounting and financial consultancy; performance of radio broadcasting activities in the areas of the production and transmission of radio programmes | Media Global, SGPS, S.A. (MEGLO) | 100.00% | |
| Media Global, SGPS, S.A. (MEGLO) | Rua Mário Castelhano. Nº 40. 2734-502. Barcarena. Portugal | Holdings | Grupo Media Capital, SGPS, S. A. | 100.00% | |
| Moliceiro, Comunicacao Social, S.A. | Rua Sampaio e Pina. 24/26. 1099-044. Lisboa. Portugal | Broadcasting activity | Emissoes de Radiodifusao, S.A. (RADIO REGIONAL DE LISBOA) | 100.00% | |
| Multimedia, S.A. (CLMC) | Rua de Santo Amaro à Estrela. Nº 17 A. 1249-028. Lisboa. Portugal | Distribution of film activities, video, radio, television, audiovisual and multimedia | Media Global, SGPS, S.A.(MEGLO) | 100.00% | |
| NOTIMAIA-Publicações e Comunicações, S.A. | Rua Tenente Valadim, nº 181, Porto - Portugal | Emissoes de Radiodifusao, S.A. (RADIO REGIONAL DE LISBOA) | Emissoes de Radiodifusao, S.A. (RADIO REGIONAL DE LISBOA) | 100.00% | |
| Penalva do Castelo FM Radiodifusao e Publicidade ,Lda. | Rua de Santo Ildefonso, nº 14 Penalva do Castelo - Portugal | Broadcasting in production areas and programs transmission | Emissoes de Radiodifusao, S.A. (RADIO REGIONAL DE LISBOA) | 100.00% | |
| Plural Entertainment Canarias, S.L. | Dársena Pesquera. Edificio Plató del Atlántico. San Andrés 38180. Santa Cruz de Tenerife | Production and distribution of audiovisual content | Plural Entertainment España, S.L. | 100.00% | 2/91 |
| Plural Entertainment España, S.L. | Gran Vía, 32. Madrid | Production and distribution of audiovisual content | Media Capital Produçoes - Investimentos, SGPS, S.A. | 100.00% | 2/91 |
| Plural Entertainment Inc. | 1680 Michigan Avenue. Suite 730. Miami Beach. EE.UU. | Production and distribution of audiovisual content | Plural Entertainment España, S.L. | 100.00% | |
| Plural Entertainment Portugal, S.A. | R. José Falcao. 57 - 3º Dt. 1000-184. Lisboa. Portugal | Production of video and film, organisation of shows, rental of sound and lighting, advertising, sales and representation of registered videos | Media Capital Produçoes - Investimentos, SGPS, S.A. | 100.00% | |
| Polimedia - Publicidade e Publicaçoes, Lda. | Quinta de Sao José Lote 2 3º Piso Loja 8 Vila Real | Broadcasting in production areas and programs transmission | Emissoes de Radiodifusao, S.A. (RADIO REGIONAL DE LISBOA) | 100.00% | |
| PRC Produçoes Radiofonicas de Coimbra,Lda. | Avenida Fernao de Magalhaes. Nº 153, 6. Andar Sala 15. Coimbra. | Cinema production, video and television programs | Emissoes de Radiodifusao, S.A. (RADIO REGIONAL DE LISBOA) | 100.00% | |
| Produçao de Eventos, Lda. (MEDIA CAPITAL ENTERTAINMENT) | Rua Mário Castelhano. Nº 40. 2734-502. Barcarena. Portugal | Publication, graphic art and reproduction of recorded media: magazines, audio publication, video reproduction; and provision of services related to music, radio, television, film, theatre and literary magazines | Media Capital Música e Entretenimento, S.A (MCME) | 100.00% | |

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

## COMPANIES INCLUDED IN THE SCOPE OF CONSOLIDATION: DECEMBER 2015



| COMPANY | REGISTERED OFFICE | LINE OF BUSINESS | COMPANY HOLDING THE OWNERSHIP INTEREST | December 2015 PERCENTAGE OF OWNERSHIP | TAX GROUP (*) |
|---|---|---|---|---|---|
| Producciones Audiovisuales, S.A. (NBP IBÉRICA) | Almagro 13. 1º Izquierda. 28010. Madrid | Inactive | Plural Entertainment Portugal, S.A. | 100.00% | |
| Produçoes Audiovisuais, S.A. (RADIO CIDADE) | Rua Sampaio e Pina. 24/26. 1099-044. Lisboa. Portugal | Radio broadcasting, production of audio or video advertising spots Advertising, production and recording of discs. Development and production of radio programmes | Media Capital Rádios, S.A (MCR II) | 100.00% | |
| Projectos de Media e Publicidade Unipessoal, Lda. (PUPLIPARTNER) | Rua Mário Castelhano. Nº 40. 2734-502. Barcarena. Portugal | Design, preparation and performance of advertising projects (advisory services, promotion, supply, marketing and the distribution of media goods and services) | Serviços de Consultoria e Gestao, S.A. (MEDIA CAPITAL SERVIÇOS) | 100.00% | |
| R 2000 - Comunicaçao Social, Lda. | Praceta Pedro Escuro, 10 , 4º dt. Santarém | Radio broadcasting in the areas of programme production and transmission | Produçoes Audiovisuais, S.A. (RADIO CIDADE) | 100.00% | |
| Radio Comercial, S.A. (COMERCIAL) | Rua Sampaio e Pina. 24/26. 1099-044. Lisboa. Portugal | Radio broadcasting in the areas of programme production and transmission | Media Capital Rádios, S.A (MCR II) | 100.00% | |
| Rádio do Concelho de Cantanhede.Lda. | Avenida Fernao de Magalhaes. Nº 153, 6. Andar Sala 15. Coimbra. | Radio broadcasting in the areas of programme production and transmission | Radio Comercial, S.A. (COMERCIAL) | 100.00% | |
| Rádio Litoral Centro, Empresa de Radiodifusao, Lda. | Avenida Fernao de Magalhaes. Nº 153, 6. Andar Sala 15. Coimbra.Portugal | Issuers' exploitation of broadcasting, withdrawal, selection and diffusion of information and of cultural, recreative and advertising programs for audio-visual, wireless and telematic means | Emissoes de Radiodifusao, S.A. (RADIO REGIONAL DE LISBOA) | 100.00% | |
| Rádio Manteigas Radiodifusão, Lda. | Rua Joaquim Pereira de Matos nº 78 1º Esq. Manteigas Portugal | Radio broadcasting in the areas of programme production and transmission | Emissoes de Radiodifusao, S.A. (RADIO REGIONAL DE LISBOA) | 100.00% | |
| Rádio Nacional - Emissoes de Radiodifusao, Unipessoal Lda. | Rua Capitao Tenente Oliveira e Carmo. 10-3. Quita Da Lomba. Barreiro. Portugal | Activity of broadcasting, as well as the presentation of other services in the area of social communication | Radio Comercial, S.A. (COMERCIAL) | 100.00% | |
| Rádio Sabugal - Radiodifusao e Publicidade ,Lda. | Rua Antonio José de Almeida nº 17 Sabugal Portugal | Radio broadcasting in the areas of programme production and transmission | Emissoes de Radiodifusao, S.A. (RADIO REGIONAL DE LISBOA) | 100.00% | |
| Rádio Voz de Alcanena, Lda. (RVA) | Praceta Pedro Escuro, 10 , 4º dt. Santarém Portugal | Production and emission radio programs with educational, informative, recreative and cultural characteristics. | Produçoes Audiovisuais, S.A. (RADIO CIDADE) | 100.00% | |
| Rádio XXI, Lda. (XXI) | Rua Sampaio e Pina. 24/26. 1099-044. Lisboa. Portugal | Radio broadcasting in the areas of programme production and transmission | Radio Comercial, S.A. (COMERCIAL) | 100.00% | |
| Radiodifusão, Lda. (FLOR DO ÉTER) | Avenida Fernao de Magalhaes. Nº 153, 6. Andar Sala 15. Coimbra. Portugal | Production, accomplishment and commercialization of cultural and recreative, sports and informative programs for wireless and audio-visual means, promotion of exhibitions and cultural and artistic conferences, assembly of and with equipments of sound and image | Produçoes Audiovisuais, S.A. (RADIO CIDADE) | 100.00% | |
| Serviços de Consultoria e Gestao, S.A. (MEDIA CAPITAL SERVIÇOS) | Rua Mário Castelhano. Nº 40. 2734-502. Barcarena. Portugal | Advisory services, guidance services and operational assistance to public relations companies and organisations | Media Global, SGPS, S.A. (MEGLO) | 100.00% | |
| Serviços de Internet, S.A. (IOL NEGÓCIOS) | Rua Tenente Valadim. Nº 181. 4100-479. Porto. Portugal | Services, publication and commercialization of electronic goods services. Activities of publication, production and distribution in media. | Media Capital Digital, S.A | 100.00% | |
| SIRPA. Sociedad de Impresa Radio Paralelo, Lda. | Rua Sampaio e Pina. 24/26. 1099-044. Lisboa. Portugal | Broadcasting in the fields of production | Radio Comercial, S.A. (COMERCIAL) | 100.00% | |
| Sociedade de Produçao e Edição Audiovisual, Lda (FAROL MÚSICA) | Rua Mário Castelhano. Nº 40. 2734-502. Barcarena. Portugal | Production of multimedia, audiovisual and phonogram storage media | Media Capital Música e Entretenimento, S.A (MCME) | 100.00% | |
| Televisao Independente, S.A. (TVI) | Rua Mário Castelhano. Nº 40. 2734-502. Barcarena. Portugal | Performance of any TV-related activity such as the installation, management and operation of any TV channel or infrastructure | Media Global, SGPS, S.A. (MEGLO) | 100.00% | |
| Tesela Producciones Cinematográficas, S.L. | Gran Vía, 32. Madrid | Production and distribution of audiovisual content | Plural Entertainment España, S.L. | 100.00% | 2/91 |
| *Equity Method* | | | | | |
| Chip Audiovisual, S.A. | Coso, 100 . Planta 3ª puerta 4-50001. Zaragoza | Audiovisual productions for TV | Factoria Plural,S.L. | 50.00% | |
| Factoría Plural, S.L. | Calle Biarritz, 2. 50017 Zaragoza | Production, realization and distribution of audio-visual | Plural Entertainment España, S.L. | 15.00% | |
| Plural Entertainment Brasil Produçao de Vídeo, Ltda. | Rua Padre Adelino. Nº 758, 3º andar, Quarta Parada. CEP 03303-904. | Inactive | Media Capital Produçoes - Investimentos, SGPS, S.A. | 49.00% | |
| Productora Canaria de Programas, S.A. | Enrique Wolfson, 17. Santa Cruz de Tenerife | Development of a promotional TV channel for the Canary Islands | Plural Entertainment España, S.L. | 40.00% | |
| Sociedad Canaria de Televisión Regional, S.A. | Avenida de Madrid s/n. Santa Cruz de Tenerife | Audiovisual productions for TV | Plural Entertainment España, S.L. | 40.00% | |

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

**COMPANIES INCLUDED IN THE SCOPE OF CONSOLIDATION: DECEMBER 2015**

*APPENDIX I*

| COMPANY | REGISTERED OFFICE | LINE OF BUSINESS | COMPANY HOLDING THE OWNERSHIP INTEREST | December 2015 PERCENTAGE OF OWNERSHIP | TAX GROUP (*) |
|---|---|---|---|---|---|
| **DIGITAL** | | | | | |
| *Full Consolidation* | | | | | |
| Infotecnia 11824, S.L. | Ronda de Poniente 7. Tres Cantos. Madrid | Provision of telecommunication services | Prisa Tecnología, S.L. | 60.00% | |
| Prisa Tecnología, S.L. *(Antes Prisa Digital, S.L.)* | Gran Vía, 32. Madrid | Provision of internet services and production, distribution and marketing audiovisual | Promotora de Informaciones, S.A. | 100.00% | 2/91 |
| | | | Prisa Participadas, S.L. | 1 Acción | |
| **PRINT** | | | | | |
| *Full Consolidation* | | | | | |
| Bidasoa Press, S.L. | Calle Malilla Nº 134. 46026. Valencia | Printing of publishing products | Dédalo Grupo Gráfico, S.L. | 100.00% | 2/91 |
| Dédalo Grupo Gráfico, S.L. | Carretera de Pinto a Fuenlabrada, Km. 20,8. Madrid | Printing of publishing products | Prisaprint, S.L. | 100.00% | 2/91 |
| Distribuciones Aliadas, S.A. | Polígono Industrial La Isla. Parcela 53. 41700 Dos Hermanas. Sevilla | Printing of publishing products | Dédalo Grupo Gráfico, S.L. | 100.00% | 2/91 |
| Norprensa, S.A. | Parque Empresarial IN-F. Calle Costureiras. s/n 27003. Lugo | Printing of publishing products | Dédalo Grupo Gráfico, S.L. | 100.00% | 2/91 |
| Prisaprint, S.L. | Gran Vía, 32. Madrid | Management of printing companies | Promotora de Informaciones, S.A. | 100.00% | 2/91 |
| | | | Grupo Empresarial de Medios Impresos y Digitales, S.L. | 0.00% | |
| **PRISA BRAND SOLUTIONS** | | | | | |
| *Full Consolidation* | | | | | |
| Prisa Brand Solutions, S.L.U. | C/ Valentín Beato, 48. Madrid | Services of advertising and public relations | Promotora de Informaciones, S.A. | 100.00% | 2/91 |
| Prisa Digital Inc. | 2100 Coral Way. Suite 200. Miami. Florida. 33145. EE.UU. | Internet services provider | Prisa Brand Solutions, S.L.U. | 100.00% | |
| Solomedios, S.A. | C/ Valentín Beato, 48. Madrid | Advertising management | Prisa Brand Solutions, S.L.U. | 99.97% | 2/91 |
| | | | Promotora de Informaciones, S.A. | 0.03% | |
| **LOCAL TELEVISION** | | | | | |
| *Full Consolidation* | | | | | |
| Collserola Audiovisual, S.L. (En liquidación) | Plaza Narcis Oller. Nº 6 1º. 1ª. 08006. Barcelona | Provision of local television services | Promotora de Emisoras de Televisión, S.A. | 92.50% | 2/91 |
| Málaga Altavisión, S.A.(En liquidación) | Paseo de Reding, 7. Málaga | Production and broadcasting of videos and TV programmes | Promotora de Emisoras de Televisión, S.A. | 87.24% | 2/91 |
| Productora Asturiana de Televisión, S.A. | Asturias, 19. Oviedo | Provision of local television services | Promotora de Emisoras de Televisión, S.A. | 59.99% | |
| Productora Audiovisual de Badajoz, S.A. | Ramón Albarrán, 2. Badajoz | Provision of local television services | Promotora de Emisoras de Televisión, S.A. | 61.45% | |
| Productora Extremeña de Televisión, S.A. | J. M. R. "Azorín". Edificio Zeus. Polígono La Corchera. Mérida. Badajoz | Provision of local television services | Promotora de Emisoras de Televisión, S.A. | 70.00% | |
| Promotora de Emisoras, S.L | Gran Vía, 32. Madrid | Radio broadcasting services | Promotora de Informaciones, S.A. | 100.00% | 2/91 |
| Promotora de Emisoras de Televisión, S.A. | Gran Vía, 32. Madrid | Operation of TV channels | Promotora de Emisoras, S.L. | 75.00% | 2/91 |
| | | | Promotora de Informaciones, S.A. | 25.00% | |
| Telecomunicaciones Antequera, S.A.U. | Aguardenteros, 15. Antequera. Málaga | Provision of local television services | Málaga Altavisión, S.A. | 100.00% | 2/91 |
| *Equity Method* | | | | | |
| Riotedisa, S.A. | Avenida de Portugal, 12. Logroño | Audiovisual productions for TV | Promotora de Emisoras de Televisión, S.A. | 49.00% | |
| **OTHERS** | | | | | |
| *Full Consolidation* | | | | | |
| Audiovisual Sport, S.L | Calle Diagonal, 477. Barcelona | Management and distribution of audiovisual rights | Promotora de Informaciones, S.A. | 80.00% | 2/91 |
| GLP Colombia, Ltda | Carrera 9, 9907 Oficina 1200. Bogotá. Colombia | Operation and sale of all manner of advertising | Prisa División Internacional, S.L. | 100.00% | |
| Liberty Acquisition Holdings Virginia, Inc. | Gran Vía, 32. Madrid | Holdings | Promotora de Informaciones, S.A. | 100.00% | |
| Prisa Audiovisual, S.L.U. | Gran Vía, 32. Madrid | | Promotora de Informaciones, S.A. | 100.00% | 2/91 |
| Prisa División Internacional, S.L. | Gran Vía, 32. Madrid | Holdings in foreign companies | Promotora de Informaciones, S.A. | 100.00% | 2/91 |
| Prisa Finance (Netherlands) BV | Gran Vía, 32. Madrid | Holdings in and financing of companies | Promotora de Informaciones, S.A. | 100.00% | |
| Prisa Gestión de Servicios, S.L. | Gran Vía, 32. Madrid | Management and development of administrative, financial, personnel, resource selection services | Promotora de Informaciones, S.A. | 100.00% | 2/91 |
| Prisa Inc. | 2100 Coral Way Suite 200 Miami 33145 U.S.A. | Management of companies in the US and North America | Prisa División Internacional, S.L. | 100.00% | |
| Prisa Participadas, S.L. *(Antes Prisa División Inmobiliaria, S.L.)* | Gran Vía, 32. Madrid | Lease of commercial and industrial premises and set up and manage companies | Promotora de Informaciones, S.A. | 100.00% | 2/91 |
| Prisa Producciones de Vídeo, S.L. | Gran Vía, 32. Madrid | | Prisa Audiovisual, S.L.U. | 100.00% | 2/91 |
| Promotora Audiovisual de Colombia PACSA, S.A. | Calle 70. Nº 4-60. 11001. Bogotá. Colombia | Audiovisual and communication activities | Promotora de Informaciones,S.A. | 53.00% | |
| | | | Promotora de Actividades Audiovisuales de Colombia, Ltda. | 1.00% | |
| | | | Grupo Latino de Publicidad Colombia, Ltda. | 1.00% | |
| Promotora de Actividades América 2010 - México, S.A. de C.V. | Avenida Paseo de la Reforma 300. Piso 9. Col. Juárez. 06600. México. D.F. México | Development, co-ordination and management of all manner of international and national projects marking the bicentenary of American Independence | Promotora de Actividades América 2010, S.L. | 100.00% | |
| | | | Prisa División Internacional, S.L. | 1 acción | |
| Promotora de Actividades América 2010, S.L. | Gran Vía, 32. Madrid | Production and organisation of activities and projects marking the bicentenary of American Independence | Promotora de Informaciones, S.A. | 100.00% | 2/91 |
| Promotora de Actividades Audiovisuales de Colombia, Ltda. | Calle 80, 10 23 . Bogotá. Colombia | Production and distribution of audiovisual content | Prisa División Internacional, S.L. | 99.00% | |
| | | | Promotora de Informaciones, S.A. | 1.00% | |
| Vertix, SGPS, S.A. | Rua de las Amoreiras, 107. Lisboa. Portugal | Holdings | Promotora de Informaciones, S.A. | 100.00% | |
| *Equity Method* | | | | | |
| Canal Club de Distribución de Ocio y Cultura, S.A. | Calle Hermosilla, 112. Madrid | Catalogue sales | Promotora de informaciones,S.A. | 25.00% | |

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

## KEY FINANCIAL AGGREGATES OF THE COMPANIES ACCOUNTED FOR USING THE EQUITY METHOD

APPENDIX II

| INVESTEE | December 2015 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | TOTAL ASSETS | CURRENTS ASSETS | NON CURRENT ASSETS | CURRENT LIABILITIES | NON CURRENT LIABILITIES | EQUITY | OPERATING INCOME | NET PROFIT |
| *(Thousands of euros)* | | | | | | | | |
| **PRESS** | | | | | | | | |
| Betmedia Soluciones, S.L. | 706 | 485 | 222 | 439 | 6 | 261 | 1,329 | 106 |
| Kioskoymás, Sociedad Gestora de la Plataforma Tecnológica, S.L. | 1,166 | 1,085 | 81 | 1,131 | 540 | (505) | 539 | (4) |
| Le Monde Libre | 93,418 | 153 | 93,264 | 104,366 | 0 | (10,949) | | (2,437) |
| **RADIO** | | | | | | | | |
| **RADIO IN SPAIN** | | | | | | | | |
| Radio Jaén, S.L. | 1,207 | 737 | 469 | 240 | 17 | 949 | 1,171 | 14 |
| Unión Radio del Pirineu, S.A. | 565 | 537 | 29 | 240 | 0 | 326 | 378 | (3) |
| **INTERNATIONAL RADIO** | | | | | | | | |
| Cadena Radiodifusora Mexicana, S.A. de C.V. | 26,181 | 24,215 | 1,966 | 12 | 2,032 | 11,762 | 41,479 | 8,782 |
| El Dorado Broadcasting Corporation | 551 | 0 | 551 | 2,132 | 0 | (1,581) | 0 | (1) |
| GLR Costa Rica, S.A. | 1,421 | 291 | 1,130 | 271 | 0 | 1,150 | 2,401 | (159) |
| Green Emerald Business Inc. | 1,797 | 1,012 | 784 | 1,686 | 5,193 | (5,083) | 1,094 | (1,770) |
| Multimedios GLP Chile SPA (*) | 1,094 | 503 | 591 | 633 | 0 | 461 | 2,772 | (330) |
| Promotora Radial del Llano, LTDA | 295 | 276 | 18 | 208 | 0 | 86 | 134 | 62 |
| Q'Hubo Radio, S.A.S | 366 | 366 | 0 | 410 | 0 | (44) | 600 | (189) |
| Radio Comerciales, S.A. de C.V. | 2,684 | 171 | 2,513 | 1,244 | 636 | 803 | 2,568 | 62 |
| Radio Melodía, S.A. de C.V. | 354 | 353 | 1 | 95 | 0 | 259 | 339 | 214 |
| Radio Tapatía, S.A. de C.V. | 476 | 430 | 46 | 113 | 0 | 363 | 453 | 250 |
| Radiotelevisora de Mexicali, S.A. de C.V. | 2,601 | 2,360 | 241 | 192 | 61 | 2,348 | 997 | 276 |
| Servicios Radiópolis, S.A. de C.V. | 1,132 | 1,132 | 0 | 1,323 | 390 | (582) | 9,256 | (83) |
| Servicios Xezz, S.A. de C.V. | 341 | 341 | 0 | 139 | 0 | 202 | 1,539 | 193 |
| Sistema Radiópolis, S.A. de C.V. | 53,561 | 40,805 | 12,756 | 18,101 | 0 | 35,461 | 44,607 | 11,989 |
| W3 Comm Concesionaria, S.A. de C.V. | 916 | 666 | 250 | 1,558 | 0 | (642) | 562 | 116 |
| WSUA Broadcasting Corporation | 4,701 | 1,758 | 2,943 | 3,264 | 6,255 | (4,819) | 962 | 434 |
| Xezz, S.A. de C.V. | 121 | 112 | 10 | 18 | 52 | 52 | 173 | 9 |
| **AUDIOVISUAL** | | | | | | | | |
| **MEDIA CAPITAL** | | | | | | | | |
| Chip Audiovisual, S.A | 4,113 | 3,887 | 226 | 2,861 | 0 | 0 | 4,218 | 0 |
| Factoría Plural, S.L | 6,825 | 5,985 | 839 | 5,029 | 132 | 0 | 7,735 | 0 |
| Plural Entertainment Brasil Produçao de Vídeo, Ltda. (Anteriormente, NBP Brasil, S.A.) | 15 | 15 | 0 | 861 | 15 | 0 | 0 | 0 |
| Productora Canaria de Programas, S.A. | 1,589 | 1,575 | 15 | 183 | 0 | 0 | 300 | 0 |
| Sociedad Canaria de Televisión Regional, S.A. | 2,141 | 2,113 | 28 | 285 | 0 | 0 | 187 | 0 |
| **OTHERS** | | | | | | | | |
| **LOCAL TELEVISION** | | | | | | | | |
| Riotedisa, S.A. | 382 | 1 | 381 | 705 | 0 | (324) | 375 | 375 |
| **OTHERS** | | | | | | | | |
| Canal Club de Distribución de Ocio y Cultura, S.A. | 193 | 193 | 0 | 8 | 0 | 185 | 106 | 113 |

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

Consolidated Directors' Report for 2015

**PROMOTORA DE INFORMACIONES, S.A. (PRISA)**

**AND SUBSIDIARIES**

CONSOLIDATED DIRECTOR'S REPORT FOR 2015

## 1. POSITION OF THE COMPANY

### Organizational structure

Prisa is the world's leading Spanish and Portuguese-language business group in the fields of education, information and entertainment. Present in 22 countries, it reaches more than 60 million users through its global brands El País, As, 40 Principales, W Radio or Santillana. As leader in General-interest Press, Comercial TV, Music and Spoken-word radio and Education, it is one of the largest media groups in the world with an extraordinary range of assets. It's presence in Brazil and Portugal and among the growing Hispanic community in the US has given the group an Ibero-American dimension and has opened up a potential global market of 700 million people.

With over 250 web sites, regulary visited by 30.0 million unique monthly users (source: comScore Dec'15) and 112 million of unique browsers (Fuente: Adobe Omniture +Netscape, Dec´15) in all of the world, Prisa is at the forefront of multi-channel and multi-device distribution and, with the launch of an ambitious strategy for content distribution, offering myriad differentiated products and services through all types of devices.

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

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

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

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

**Prisa Noticias** is the PRISA business unit that encompasses all the news brands in its segment. It has a clearly global outlook. It includes leading newspapers such as El País, Cinco Días, AS and The Huffington Post in addition to trade magazines such as Icon and S Moda. These publications have an online readership of 23.8 million users from throughout the world (Source: comScore, Dec 15).

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

EL PAÍS is the leading newspaper in Spain and also the most widely read Spanish-language daily newspaper, according to ComScore. This leading position is built upon a tradition of launching new products, permanent innovation and a presence throughout Latin America. At present, 43.1% of the readers of this newspaper are from the Americas, 49.3% from Spain and 7.6% from the rest of Europe. Diario As is a leading daily sports newspaper with 7 million individual readers throughout the world including its online publication (Source: comScore, Dec 15). In 2013, it started to expand internationally with AS América, an edition for Latin America, and three further country-specific editions for Chile (2014), Colombia (2015) and Mexico (2015).

**PRISA Radio** is the world's largest Spanish-language radio broadcasting group with nearly 28 million listeners and 7 million unique users online (comScore Dec'15) and more than 1,250 radio stations, either directly owned or associates, spread out over twelve countries. Prisa Radio is well positioned in the main Spanish-speaking radio markets and is the absolute leader in Spain, Colombia and Chile.

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

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

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

The **Audiovisual sector** encompasses the audiovisual activity of the PRISA Group. It is particularly active in the Spanish and Portuguese markets through its products for digital entertainment and commercial television.

Media Capital, the commercial TV in Portugal, is the leading media group in Portugal. In the television industry, it has the TV channel (TVI) which attracts the largest number of viewers, one of the most prestigious and widely listened to radios at national level (MCR) and the second largest Internet portal (IOL). It produces content in a wide range of genres, specialising in fiction, news, entertainment and sports.

In addition to generalist TVI, Media Capital's activity is spread across its thematic channels TVI24, TVI Internacional, TVI Ficçao, +TVI, TVI Direct, TVI África and TVI Reality, the latter two launched in 2015. Media Capital has used these channels to strengthen its presence in Europe and Africa. The best content from TVI International is currently present in 15 countries through 30 distribution platforms: Angola, Mozambique, Spain, France, Andorra, Switzerland, Monaco, Luxembourg, United Kingdom, United States, Puerto Rico, Cape Verde, Venezuela, Australia and New Zealand.

Media Capital is also present in other businesses related to the media industry, such as television content production, provided by the multinational company, Plural Entertainment. Plural Entertainment is one of the most important companies in the Iberian Peninsula in this industry and is particularly active in the area of Portuguese-language fiction.

Furthermore, in 2015, with the creation of Prisa Vídeo., the Group embarked on developing audiovisual contents and digital channels to be distributed online.

**Prisa Vídeo** was founded in 2015 to develop and boost the production, distribution and marketing of video within the group, in entertainment, current affairs, news, fiction and education.

Prisa Vídeo has launched a prestige audiovisual production label including new digital video narratives and traditional production for third parties. One of the main objectives of this production company is to develop contents along with advertisers and thereby boost business transformation and the growth of native advertising.

**Governance bodies**

Except for matters reserved to the General Meeting, the Board of Directors of Prisa is the highest decision-making body within the Company.

The Board policy is to focus its activity on the general functions of supervision and determination of policies and strategies of the Company, and to delegate ordinary management of the Company to the Managing Director and, if applicable the Executive Chairman, with the assistance of the Company's management team.

In accordance with the Board of Directors Regulations of the Company and the provisions of the Capital Companies Act, the Board has exclusive authority regarding certain general strategies and policies of the Company, as well as regarding certain decisions (inter alia, the strategic or business plan, management objectives and the annual budget, financing and investment policy, tax strategy, risk management and control, approval of financial information, approval of financial projections, dividend policy, treasury share policy, strategic alliances of the Company or its controlled companies, definition of the Group's structure, corporate governance and corporate social responsibility policies, general compensation policy, appointment and removal of certain executives, investments or transactions of any kind that by reason of their high amount or special characteristics are of a strategic nature or involve special tax risk to the Company, approval of creation or acquisition of interests in special-purpose vehicles or entities domiciled in countries or territories considered to be tax havens, resolutions related to mergers, splitups and any relevant decision having to do with the status of the Company as a listed company, approval of related party transactions, annual evaluation of the functioning of the Board of Directors…..)

The Board of Directors of Prisa currently is comprised of fifteen directors: three executive directors, five proprietary directors, six independent directors and another external director. They have various academic backgrounds and outstanding professional careers.

Also, the Board currently has the following positions: Executive Chairman, Vice Chairman, Managing Director, Secretary and Assistant Secretary.

Without prejudice to the authority of the Chairman and the Managing Director, and within the framework of the regulatory provisions regarding authority reserved to the Board itself, it has a Delegated Committee.

In addition the Prisa Board of Directors has formed another four Committees, with reserved authority in their respective areas: (i) Audit, (ii) Corporate Governance, (iii) Nominating and Compensation and (iv) Technology Transformation.

**Performance**

*Operating targets and strategy*

**Santillana**'s objectives revolve around gearing its efforts towards education, which is currently undergoing a deep digital and teaching transformation. In Latin America, the two most well-rounded education offerings and with the greatest elements of innovation, Sistema Uno and Santillana Compartir, continue with an outstanding adoption, a driving up their combined share of the total. 2015 was an important year for consolidating both education models and showcasing their contribution to learning.

In 2016, Santillana intends to put the emphasis and all its efforts on existing educational projects and new initiatives in a bid to enrich its content, services and technological offering to learning centres, students and families. And all underpinned by innovation and research in propositions to improve the quality of education and yield the best learning results in all the countries where the Company has operations. Santillana is witnessing a major transformation of the sector and its duty is to play a leading role.

The objective in **Radio** is to retain the leadership position in 2016 in Spain, Chile and Colombia, and to improve the positioning in the rest of the countries, strengthening the commercial model and streamlining structures to achieve operational improvements in all operations.

Efforts in Prisa Radio will remain geared towards leading the digital transformation process and boosting audience; Prisa Radio has become a benchmark among digital radio groups. Its efforts includes further tailoring web content to the various access devices, steering consumption of audio towards mobile devices and growing the musical events in Latin America.

The goals for the **Prisa Noticias** business in 2016 including becoming the audience leader in all media, raising the profitability of the traditional business and focusing on international expansion, transformation and digital growth in all products.

Growth of online audience, commitment to users, improvement in the commercial model and development of mobility and audiovisual content are the key strategic planks that will help the Group towards becoming the overall leader in the Latin America market in general, sports and economic press.

In the **Audiovisual** business area, the Media Capital Group's objectives are to keep up efforts to streamline processes and cost structures, focus on strategic growth areas, seek new revenue-generation models mainly based on the multicast content, maintain innovation, quality and diversity in the content offering.

TVI's goal is to retain its leadership and take the best offering of series, entertainment and news content from Portugal to other markets with a strong Portuguese-speaking population

The aim of Prisa Vídeo is to strengthen its structure to become the leading company in content production for third parties and in developing new digital video products.

In general, the **Group** has gone to great lengths in recent years to clamp down on costs, achieving considerable reductions in personnel and other operating expenses. Efforts will remain geared towards controlling costs and capex, channeling available resources to growth areas and towards the new initiatives planned for 2016. However, current plans for financial optimization and debt reduction will remain in place.

*Financial targets and strategy*

Prisa signed a refinancing agreement with banks in December 2013 aimed at providing the Group with financial stability, extending debt maturities and affording it more time and flexibility to reduce debt with proceeds from the disposal of non-strategic assets, leveraging certain assets and other corporate transactions.

The objectives of the refinancing were to achieve an appropriate capital structure for the Company in the medium term, removing the financial burden of interest payments and aligning debt more closely to the cash flow generation of the various business areas. The agreement allows the Group to achieve a more coherent set of assets, with exposure to regions and businesses with scope for growth and cash generation, while preserving operational synergies.

In 2014 and 2015, the Company made great strides in the execution of the refinancing plan, by repurchasing debt for a total of EUR 1,610,590 thousands with proceeds from the sale of assets such as Mediaset España and DTS and the capital increase subscribed by Consorcio Transportista Occher SA. These transactions have meant that it has been possible to meet in advance the debt reduction commitments which are part of the refinancing contract.

The capital increase subscribed by Consorcio Transportista Occher SA in 2014 and International Media Group in 2015 has made a significant contribution to strengthening the Group's capital structure.

Looking ahead to 2016, the focus will remain on making progress in executing the refinancing plan and strengthening its capital structure. Similarly, in January, Prisa arrived at an agreement to issue bonds mandatorily convertible into ordinary shares through swapping the financial debt in a minimum of EUR 100,185 thousands, for which there is an irrevocable commitment to subscribe, and a maximum of EUR 150,000 thousands. In 2016, Prisa also continued with its debt reduction process, having agreed in February to repurchase a total of EUR 65,945 thousand of debt, using for this purpose funds from the sale of shares in DTS, with a discount of 16.02%.

## 2. BUSINESS PERFORMANCE

***Key highlights*** for 2015 include:

- Group **operating income** in 2015 amounted to EUR 1,374.1 million (-5.5%) and **EBITDA** to EUR 248.4 million (+35.5%).

- **Advertising revenue** totaled EUR 497.6 million (+1.5%), with a 4.3% increase in advertising in Spain, and a 2.2% increase in Portugal for the year 2015, consolidating the recovery that started at the end of 2013 and continued during 2014.

- **Latin America and the US** represented 45.4% of the Group's revenues and 66.7% of EBITDA. Latin America posted further growth in local currency (by Santillana and in Radio) despite the economic slowdown in some economies (e.g. Brazil and Venezuela) and despite that 2015 in Santillana Brazil is a low year in the institutional sale cycle.

- **Cost cutting** control continued throughout the Group, with resources allocated to growth, mainly in Santillana and Radio. Expenses were down 11.5% affected as well by foreign exchange impact.

- **Capex increased** mainly due to Santillana's digitalization systems, purchase of radio stations in Colombia and Santillana's prototypes in Spain

- Operating revenues in **Education**, amounted to EUR 642.8 million (-10.3%), with a negative currency effect of EUR 28.6 million. 2014 accounted as well the profit from the sale of the Trade Publishing business, which accounted in Santillana's figures until June, 2014. Excluding the foreign exchange effect and the Trade Publishing effect, revenues would have stayed flat (-0.3%). EBITDA reaches EUR 167.2 million (-2.1%). Excluding the foreign exchange and Trade Publishing effect, EBITDA increases +4.1%, comparing to 2014.

- Campaigns in both, the North and South area performed well in local. In Spain, the campaign has been excellent compared to 2014, explained by the high level of adoption of the new law and a successful commercial development. In Brazil, 2015 is a low year in the institutional sale cycle (2014 was a high year of the institutional sale cycle).

Digital Education Systems (UNO & Compartir) continue their expansion in Latin America, improving profitability and growing in the number of students.

- **Radio** operating revenues amounted EUR 314.8 million (+3.2%), with a negative currency effect of EUR 8.6 million, and EBITDA reached EUR 54.7 million (+19.6%). Excluding the currency effect, EBITDA increases +30%. Advertising revenues in Spain grows +8.1% and throughout Latin America in local currency, except Chile and USA.

  Noteworthy was the operating improvement in Spain, with EBITDA increase EUR 10 million to EUR 21.3 million.

- In the **Press** division, income was down -7.3% at EUR 241.3 million. Circulation revenues decreased 11.8% as well as promotions which fell -34.5%, but with lower expenses and a positive effect in EBITDA. Total advertising revenues grew +1.6% (El País +6.7% and AS -2.1%). Traditional advertising suffered a -8.7% decline, compensated with an excellent performance of digital advertising revenues that increased 26.8%.

- **Media Capital**, operating revenues reached EUR 174.4 million (-3.0%) and EBITDA amounted EUR 41.4 million (-1.7%). Advertising revenue advanced 2.1%, with good performances in TV (+1.4%) and radio (+9.1%). Called value-added revenues dropped 38%, but they were partially offset by the increase of advertising revenues, distribution of channels in Pay TV platforms and the cost control allowed EBITDA to stay broadly in line with 2014.

- The Group continues to press on with its **refinancing plan** and in 2015 carried out a series of transactions under the scope of its debt-reduction commitment, such as the sale of a stake in Mediaset España Comunicación, S.A., the capital increase subscribed by International Media Group S.à.r.l, debt buy back operations with discount (approximately 17% discount). Also in 2015 the sale of the 56% stake in DTS with Telefónica de Contenidos, S.A.U. was closed.

**Market environment**

*Economic environment in Spain and Portugal*

The year 2015 continues the growth that was settled last year, assuming the return of positive growth rates for Spain and Portugal, and laying the foundations of a new economic environment, after the beginning of the crisis in 2007.

Starting in 9M 2013, a continuous positive quarterly change in trend has been recorded and confirmed in 2014 (+1.4% in Spain according to FUNCAS and +0.9% in Portugal, according to Portugal's Central Bank, for the whole year).

Consensus forecast is that the change in trend will consolidate during 2015 (+3.2% in Spain and 1.6% in Portugal) and 2016 (+3.8% in Spain and +1.7% in Portugal).

- Spanish GDP fell by -1.6% in 2013 and increased +3.2% in 2015 (source: INE).
- As for Portugal, in 2013 GDP fell by -1.6% by 2015 has been confirmed the recovery of the growth path reaching a +1.6% in 2015(source: Portugal Central Bank).

The improvement observed in the economic environment has had its reflection in private consumption. Private consumption in Spain went from a fall of -2.9% in 2012 and a fall of -2.3% in 2013 (according to INE), to an increase of +2.4% in 2014, after several years of declines. According to the consensus projections compiled by FUNCAS in July, the mentioned improvement allows for a growth estimate of +3.1% for 2015 and +3.2% for 2016.

In terms of quarterly evolution, private consumption has also showed a significant turnaround from 2013 when it happened to fall -9.9% in Q2 to grow by +0.5% in Q4.

According to INE, private consumption has remained flat during the firsts three quarters of 2014 (slight decrease of -0.1% in 2Q, growth of 0.3% and of +0.5 in 2Q and 4Q), to record a remarkable +2.5% growth in 4Q. Therefore, this variable shows a slight growth of 0.8% in average quarterly rates.

Growth trend is confirmed in 2015 with an average increase of 3.9 between January and December 2015 (provisional data according to INE).

*Advertising market evolution*

The Group's divisions are directly exposed to the Spanish advertising market through Radio, Press and Digital, as well as the Portuguese advertising market through its FTA TV (TVI), Radio and Digital businesses.

During 2014 advertising investment grew in Spain for the first time since 2010. According to public sources (i2p) adverstising investment grew in Spain +5% in 2014 compared to a -10% decline in 2013. This positive trend was confirmed in 2015 were the advertising market grew +6%.

The behavior of the advertising in the tight quarters of 2014 and 2015 has shown this important improvement gradually. Advertising investment in Spain went from a fall of in 1Q 2014 of -0.2%, to an increase of +7.2% in 4Q of 2014. This trend was confirmed in the 1Q of 2015, where quarterly growth reached +7.7%. Every quarter has grown compared to the previous year, ending the year with a +3.5% growth.

The evolution by sectors shows an improvement in the estimation of 2015 investment, with a positive performance of all sectors except Magazines

In Portugal, according to internal source, the television advertising market stayed flat in 2015.

*Economic environment in Latin America*

Growth in countries to which PRISA is exposed has been uneven, with economic conditions worsening in some countries (Brazil, Venezuela), while showing larger growth in others (Mexico, Peru). Growth trend will continue in all countries according to IMF except in Brazil (January 2016 estimates) and Venezuela.

Group's results in Latin America have been negatively impacted by the weakness of the Exchange rate in the region (mainly due to Brazil and Venezuela). This negative impact reached EUR 38.8 million at revenue level and EUR 8.6 million at EBITDA in 2015. As a result, reported revenues from Latin America fell by -9.9% compared to the growth of +0.4% at constant currency and adjusting the Trade Publising effect. EBITDA in Latin America falls by -4.3% compared to +5.0% at constant currency and excluding the impact from the sale of the Trade Publishing business in June 2014.

The impact of exchange rate volatility increased in the 2H of 2015 for major Latin American currencies.

During 2015, the currencies in Brazil and Venezuela have represented 128% of the impact on revenues and 131% of the impact on EBITDA.

## 3. HUMAN RESOURCES

### Objectives and policies

Responsible human capital management in Prisa has the following objectives:

- Promote the **professional growth** and **personal development** of all employees in a work environment conducive to equality of opportunity without any discrimination. Base promotion on merit, capabilities and performance.

- Defend and apply the **principle of equality** between men and women, providing the same opportunities for pay and professional development in the workplace at all levels.

- Promote and improve women's **access to posts of responsibility**, reducing the inequalities and imbalances that can occur in a company.

- Introduce measures which promote **a work-life** balance for all workers.

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

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

**Staff training**

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

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

Our **PRISA Campus** is the online information portal for all Group employees. It helps us develop our employee skills matrix, and support the retraining taking place in the industry due to the shift from a traditional media economy to a digital economy. In 2015, PRISA Campus was re-engineered and launched in May modelled on the United States platform edx.org. It now offers a better user experience, responsive design supporting remote access from any device and enables more detailed tracking of student progress. As a result, and as we shall describe in more detail under a separate item, this year we have promoted and enhanced our online training. Over the last 9 months, we have managed to attract 1,140 learners who have registered for our various courses including a second edition of a Master in Advanced Digital Skills from a user-centred perspective, an advanced course in Big Data focussing on digital technological developments, and a course in Video Capture, Editing and Publishing (multimedia journalism).

Our aim in 2016 is to offer new courses to meet the most urgent needs identified in all areas of the organisation. This need is broken down into three courses of action: L1, development of leadership and team work skills; L2, cross-disciplinary digital change; L3, reskilling and retraining specific occupational groups.

**Mi idea!** is an open innovation platform open to all employees to offer suggestions, ideas for improvements and even intellectual property allowing patents potentially to be filed The platform already has 4,331 users and 332 spontaneous ideas have been contributed. The aim of this tool is to identify both individual talent and counter-suggestions which may, indeed, come from any area of the organisation, Furthermore, the innovation departments and Agents of Change in each business unit regularly issue challenges to encourage participation and get ideas for enhancement projects to improve Group business overall.

**Factoria de Experiencia** (FEX) is another initiative that aims to boost the Group's collective intelligence by identifying expert employees who then impart useful knowledge to the entire organisation. It has an online platform to which all employees have access. This platform also contains experience and knowledge gained from the most relevant projects in business, organisation and technology. It now has 2,346 users (and 81 published knowledge items).

**Equality and Diversity Management**

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

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

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

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

- A determination to respect the principle of equality of treatment in the workplace.

- A rejection of any type of discrimination on the grounds of gender, marital status, age, racial or ethnic origin, religion or belief, disability, sexual orientation, political ideas, membership of trade unions, etc.

- Particular attention to complying with equality of opportunity for men and women in access to employment, career progression, training, employment security and equality in pay.

A commitment to create positive working environments, prevent harassment and take action to resolve any cases that may occur.

**Occupational health and safety**

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

In 2015, the Joint Prevention Service concentrated on training in risk prevention for all its employees.

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

Quarterly meetings with all Health and Safety Committees have continued to be held.
Emergency evacuation measures have been implemented.

**Social benefits**

The Group wants all its companies to have suitable social benefits to give them a competitive edge to attract and retain the best employees. Each of the 22 countries in which the Group operates has its own special features to which the Human Resources Management Policy must be sensitive. It must offer a response that meets the needs and expectations of the employees of these companies.

In general terms, the social benefits that our employees receive in Spain include life insurance, invalidity or incapacity cover and maternity/paternity benefits. In general, the Group companies in Spain make no distinction between full-time and part-time employees, or between employees with permanent or fixed-term contracts when offering these benefits.

Within this framework, the flexible payment plan which was introduced in 2012 was rolled out in 2015 in Spain to all companies, increasing the range of products provided. In Portugal, a similar system has also been rolled out.

**Work-life balance**

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

In addition, in 2015, in Spain, we have kept our plan to promote a better work-life balance based on five elements and intend to carry it forward to future years:

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

## 4. ENVIRONMENT

Prisa is committed to reducing the costs and the impact that our operations may have on the environment. The Group's Environmental Security Policy includes a series of basic principles in the area of legal compliance that contribute to the continuous improvement of our operations:

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

- The group will ensure the safety of industrial operations, to avoid negative impact on the environment.

This policy is divided into three levels of action:

- Emission control
- Consumption control
- Waste Control

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

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

The Group believes that it have no environmental responsibilities, expenses, assets, provisions or contingencies that might be material in relation to our equity, financial condition and results of operations.

## 5. LIQUIDITY AND CAPITAL RESOURCES

### Financing

Note 12b *"Financial Liabilities"* of the accompanying notes to the consolidated financial statements of Prisa for 2015 provide a description of the use of financial instruments by the Group.

### Contractual commitments

Note 15 *"Operating Expenses- Operating leases"* and note 25 *"Future Commitments"* to the consolidated financial statements provide information on firm commitments giving rise to future cash outflows and associated with purchases and services received and any operating leases for buildings and the radio frequencies.

## 6. 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.

In the Corporate Governance Report (*see Section E*) are detailed and specific actions organs that are used to identify, valuate and manage these risks.

**Strategic and operational risks of the business of the Group**

*Macroeconomic risks-*

In 2015, 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 and 2015. 2016 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, or recession in economies as Brazil.

The Group's results in Latin America have been hurt by the weakness of the region's currencies. An increase in the volatility of currencies was shown in the second half of 2015.

Maintenance of exchange rates at current levels or even further deterioration could have an adverse effect on operating results and financial condition of the Group.

*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.

*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.

In the specific case of Education, a relevant part of its revenues in Latam come from public sales to Governments. Sales of the business could be affected as far as macroeconomic parameters worsen or there are changes in educational policies.

*Litigation risks-*

Prisa is involved in significant litigations, which are described in note 26 of the accompanying notes to the consolidated financial statements. Additionally, Prisa is exposed to liabilities for the content of their publications and programs.

*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 12b "*Financial Liabilities*" of the accompanying notes to the consolidated financial statements of Prisa for 2015.

As is described in that note, in the month of December of 2013 the Group signed a debt refinancing agreement.

In 2014 and 2015, the company paid off a total of EUR 1,610,590 thousand using the proceeds from the sale of Mediaset España, DTS and the increase in capital subscribed by Consorcio Transportista Occher, S.A. de C.V. These operations allowed the Group to fulfill in advance commitments of debt reduction included in the refinancing agreement at December 31, 2015, in such a way that the next relevant financial commitment is to fall due in 2018, when Tranche 2 falls due.

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 December 31, 2015, the level of the Group bank debt (EUR 2,009 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 foreseen in the refinancing agreement 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 and the process to convert debt into the participating loan was carried out on September 15, 2014, in the amount of EUR 506,834 thousand, which brought the Company's equity to two thirds of share capital.

At December 31, 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 April 20, 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 December 31, 2015 the equity of the Company with this respect stood at EUR 166,886 thousand, which were over two thirds of share capital.

Additional losses to be registered by the Parent Company could result again in an equity imbalance situation.

*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.

Prisa has registered the sale of DTS for an amount of EUR 724,554 thousand. At the date of preparation of these consolidated financial statements, an adjustment pending of resolution by an independent third party could reduce DTS sale price by EUR 29,173 thousand. Therefore, depending of the final resolution of this adjustment, the final result of the sale agreement could be modified.

*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. However, as of December 31, 2015, the Group still maintains a bank debt level of EUR 2,009 million.

*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 57.63% of its bank borrowings terms are at variable interest rates, and therefore the Group is exposed to fluctuations in interest rates. Interest rate hedges expired at December 31, 2015 and the Group did not arrange new hedges.

*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, as far as this situation occurred in the past.

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.

## 7. OUTLOOK

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

In terms of macroeconomic aggregates, it should be said that GDP growth in Latin America in 2015, according to IMF data (October 2015), has been uneven across the different countries. While the situation worsened in some, such as Brazil and Venezuela, growth gathered steam in others, such as Mexico, Peru, Chile and Colombia. According to IMF projections, the growth path will be steep in these countries in 2016, while in Brazil and Venezuela the decline in growth will slow down. The Group is influenced by changes in macroeconomic factors.

The Group's performance in Latin America was adversely affected by the weak exchange rate in the region, especially during the second half of 2015. Excluding the impact of exchange rates and the cyclical event of institutional sales in Santillana Brasil (2015 was a low cycle year), Latam performance continued to show growth in local currency in most countries in 2015.

In 2016, results in euros of Education and Radio will be affected by changes in exchange rates, even if kept in levels of end of the year 2015.

Another factor which affects future developments is the advertising cycle. Nevertheless, the Prisa Group's exposure to the performance of the advertising market is limited due to its diversified revenue mix (advertising revenues accounted for 36.2% of the total in 2015). Businesses which rely heavily on advertising have a high percentage of fixed costs, and consequently any increase in advertising revenues has major implications for earnings, improving Group’s margins and its cash position.

Digital advertising is growing significantly. Effectively, revenues rose by 22.0% in 2015, with Press increasing its share of total advertising revenues to 36% (from 29% in December 2014). This growth is forecast to continue in 2016.

The advertising market in Spain grew by 5.0% in 2014 according to a report by i2P, and this improved in 2015, with overall growth of 5.8% according to the same source (i2P). The same source (i2P) forecasts further overall growth of 5% for the Spanish market in 2016.

In Spain, the Group's advertising revenues rose by 4.3% in 2015, but excluding extraordinary items, growth was even higher (6.4%), in line with the market. For 2016, growth in advertising revenues is forecast to be faster than for the market, supported by growth in digital and special events.

In Portugal, growth in the advertising market improved at the end of 2013, and was maintained in 2014. In 2015 the Portuguese market suffered a slowdown due to the economic situation in the country. For 2016, advertising in Portugal is expected to continue with low growth (except in the digital sphere).

Media Capital's advertising revenues increased by 2.1% over 2014 in spite of the fact that the Portuguese market failed to grow during 2015. In 2016, advertising is forecast to grow especially in digital and channels.

In Latin America, according to data from Zenith Optimedia (September 2015), the advertising market grew, at constant exchange rates, by 4% in 2015. Prisa Radio in Latin America remained stable at constant exchange rates (affected by the situation of the Radio industry in Chile). For 2016, Zenith Optimedia forecasts the advertising market to grow by 5% (with constant exchange rates).

Prisa has other, less cyclical, businesses that do not depend on advertising but still show scope for growth, especially in Latin America. One example is Education, which in 2015 contributed 46.8% of the Group's total revenues and 67.3% of its EBITDA. In Latin America, revenues fell by 9.9% over the same period (+0.4% at a constant exchange rate and eliminating the effect of the change in scope due to the departure of Ediciones Generales in June 2014), related to institutional sales cycles in Santillana. Growth in regular sales campaign was positive overall in local currency in 2015. In 2016, efforts in the publishing business remain focused on expanding digital education systems, especially in Mexico, Colombia and Brazil where growth in revenues and EBITDA were very significant in 2015.

Part of the Group's growth for 2016 will rely on digital growth. Digital audience numbers rose sharply (114.2 million unique browsers at end-December 2015, up 32.9% from a year earlier). In 2016, 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.

Against a backdrop of improvement in the economic situation in Spain, a slowdown in Portugal and growth in Latin America (despite a certain slowdown in some countries, especially Brazil), in 2016 a key priority for the Group continues to be cost and investment controlling and use the resources freed up for growth businesses maintaining a strict cost-control policy and adapting productive structures to revenue performance in order to maintain the profitability of the businesses.

In addition, the Group will continue to reinforce its capital structure (some operations were carried in January and February of 2016, such as the agreement to issue a mandatory convertible bond).

## 8. RESEARCH AND DEVELOPMENT ACTIVITIES

The Group is constantly adapting its applications and current management processes to the changes occurring in its businesses and the technological change within its environment. It achieves this through its participation in and membership of national and international associations and forums enabling it to identify potential improvements or innovation and development opportunities for its services, processes and management systems.

In 2015, the press unit, via **Prisa Noticias**, continued to promote the Mobile department through the launch of new products, especially native applications.

EL PAÍS continued to lead innovation in mobile platforms with it being the first Spanish medium to launch an application for Apple Watch in June of this year.

EL PAÍS was also a front-runner in launching the new AMP format for mobile web and was the only medium in Spanish to form part of its presentation in October together with Google, the New York Times, The Guardian, and the BBC.

In November, the EL PAÍS app for Android, which has achieved more than a million downloads, was rewritten from scratch incorporating the latest usability trends based on Material Design. The focus in mobile developments has been widely accepted by readers: The number of users accessing EL PAÍS via these platforms doubled in 2015.

In 2015, AS consolidated its internationalisation with the new editions in Chile, Colombia, Mexico and Spanish-Speaking US. In June, it launched the Copa America 2015 app targeting the Latin American market and achieving more than 10,000 downloads during the month of the competition.

In June, the AS app, together with the launch of the Apple Watch, including the watch feature in its main app to be able to check all the scores in the Spanish football league.

Furthermore, in August, as in previous years, the Leagues Guide app was updated with the new 2015-2016 season information and including the leagues of Chile, Colombia and Mexico making it possible to check all theirs team and player stats.

In June 2015, Cinco Días launched its new App for iOS (iPhone and iPad) that includes news, market data, virtual portfolio and a PDF download service. The new iOS App has increased the number of daily downloads by 40% versus the previous version.

In 2015, Prisa Noticias continued developing its customer relationship management solution (CRM) for the various brands operating under Prisa Noticias.

The CRM platform has continued to evolve throughout the year, incorporating data from new customers, linked to the business, with the main aim of starting to use the data both for decision making in different business units regarding customers and to derive intelligence from the information enabling us to identify value for customers.

Based on this data intelligence approach, we have conducted a series of initiatives focussed on customising offers and proposals.

The customer relationship plan has been defined via our communication channels. The objective is to achieve integrated customer communication. This plan is based on:

1. Communication via email, with the specifications drafted in order to provide campaign management feature enabling structured communication with the customer based on his/her life cycle.

2. Social network management: integration of social profile of our subscribers in order to work the information from outside of our websites and be able to send messages to our customers based on their behaviour with this channel.

3. Re-focus the contact centre: Redefine processes, organisation and systems in order to improve the customer experience in after-sales.

Internally work has been carried out to strengthen the customer culture approach within the various business units as a continuation of the strategy launched three years ago.

In 2015, **Prisa Radio** increased its efforts to position products as leaders in the ecosystem of digital media, striving for leadership of online audio development in all of its markets. Significant efforts are being made to increase the offer of multimedia content and to ensure it is accessible to users wherever and whenever they wish to consume it.

The main areas of work this year have been:

- Firstly, migration of the radio portals to new editorial platforms, in order to equip all products with content management tools that promote the consumption of audio, enable multimedia content to be published, adapt to mobile consumption and drive more traffic and, thus, increased revenues.

- Secondly, following the continued growth of listening to radio live and on demand via mobile devices, the launch of applications for all radio brands has increased, using the corporate platform, Replicapp, to develop applications. For some products, mobile is now the preferred device for radio consumption.

- Thirdly, there has been in an increase in the digitalization of local radio stations, launching local content in Spain, Colombia and Mexico.

- Fourthly, in line with the trend towards multi-distribution of content, Radiapp has been launched, an aggregator app which enables listening of all Prisa Radio stations in Colombia and the apps of *Los 40 Principales* and *Cadena SER* have been integrated into the Ford connected cars system, Applink.

- Finally, within the field of publishing and managing radio content, the process of updating broadcasting platforms and developing the key elements to integrate then with the rest of the publishing platform has continued (Enciclomedia/ Redacta). The first version of a new portal for content consumption was also finalised to facilitate production and access to content on Enciclomedia (WikiMedia); the pilot of this product shall be launched during the first quarter of 2016 and full roll-out across the entire organisation in the second half of the year.

In terms of **Education**, Santillana has maintained its commitment to including technology both in content solutions and in educational services. The most relevant initiatives were:

- Evolutionary development of the technological platform (**LMS**), backbone of the technological offer of **UNO** y **Share**, with the objective of improving the user experience:

    - Optimised design and usability, via guided assistants that facilitate the school set-up and management.
    - Strengthening the functionalities of academic management and evaluation with content creation tools and assessment activities that enable the teacher, supported by the new charts generator (Google Charts), to follow the academic progress of each one of his/her students.
    - Easy access and visualisation on mobile devices (smartphone/tablets) to include technology *responsive design* (adapted to the user's device).
    - Adoption of integrated educational technological standards that enable third party tools to be integrated reinforcing our commercial offer and improving time to market.

- Agreement with the North American company, Knewton to develop "**a2o"**, a pilot project for a customised book using adaptive learning technologies. Development focussed on the field of Mathematics and, specifically, on algebra content for 12-13 year old students. 2,000 pupils from Spain and Latin America are taking part in the pilot project.

- Within the concept of customised learning, the development of the first module of "**Effective learning**", has been completed, a training tool for basic cognitive skills that support learning. The application designs a customised itinerary based on the pupil's performance in the initial tests which are then tailored as the pupil completes the various activities presented. In addition to the basic skills module, there are two new modules: reading skills and mathematics skills.

- Finalisation of the “**Learn and more”,** project, a repository of digital content to support teaching and learning. Based on a semantic web system, it makes more than 60,000 learning objects available organised in one thousand five hundred lesson plans linked to curriculum topics. It enables the resources selected by the PRISA pool (El País and SER) to be added to the those selected and developed by Santillana, as well as the open resources that complement the various curricular topics.

- Development of an online assessment platform, **Pleno,** which provides teachers with a test bank with authoring tools and performance reports for their pupils. It is the first of the initiatives that the company is approaching within its strategic interest to position itself in evaluation, a key factor in improving the teaching-learning processes.

- Implemented by **SantillanaLAB**, a platform of experts from different fields of education, led by Santillana, with the common goal of reflecting on the current and future role of educational publishing, of the publisher, to provide differentiated solutions to the challenges of the future. Organised in two working groups, the experts debated both the conceptualisation of the textbook for the new educational paradigm and the trends that are driving the incorporation of innovative methodologies in schools, new educational roles and new organisational models for schools.

  The working group **LabEDU** focussed on exploring, conceptualising, defining and considering specific educational proposals and emerging trends that could become product and service areas for Santillana. The working group **LabTEXT** focussed on facilitating the definition of the new digital textbook and reached an initial prototype.

- Conceptualisation, definition and development of **SET21**, a programme focussed on the new skills and competencies that pupils require nowadays. Via a proposal for print and digital materials, **SET21** develops and trains emotional skills, entrepreneurial capacity, creativity, thinking skills and characteristics, communication, robotics and programming, and other basic tools that help to prepare pupils for the demands of today's society. A pedagogical proposal, specifically designed for schools, which aims to update education by incorporating content essential for a coherent and effective education in the 21st century.

In addition to what is highlighted above, in 2015 **Prisa Video** was created to develop and promote the video production, distribution and commercialization within the Prisa Group, in entertainment, current fairs, information, fiction and education.

Prisa Video launched a prestigious audio-visual production label, incorporating the new digital video narratives, and classical production for third parties. One of the main objectives of this production company is to develop content together with the advertisers and thus drive commercial transformation and growth of native advertising.

Prisa Video also analyses the opportunities within the digital video business environment separate from our current brands to design and launch new products.

This crosscutting division of Prisa also works daily with technology and commercial teams to qualify the content offer and the video commercial strategy for the entire Group.

Other objectives include driving distribution agreements, identifying video tools and expanding the project in Latin America and USA Hispanics.

In quantitative terms, in 2015, the Group achieved 335 million views of its websites.

## 9. TREASURY SHARES

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

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

At December 31, 2015, Promotora de Informaciones, S.A. held a total of 457,037 treasury shares, representing 0.583% of its share capital.

Treasury shares are valued at market price at December 31, 2015 (5.220 euros per share). The total amount of the treasury shares amounts to EUR 2,386 thousand.

At December 31, 2015, the Company did not hold any shares on loan.

## 10. SHARE PERFORMANCE

*Description of Prisa's shareholder structure.*

Prisa's share capital at December 31, 2015 consisted of 78,335,958 ordinary Class A shares. These shares are listed on the Spanish stock exchanges (Madrid, Barcelona, Bilbao and Valencia).

In 2015, the Company has made an aggrupation of 2,158,078,740 shares into which the share capital was divided to its swap for 71,935,958 newly issued shares on the basis of one free share for thirty shares held, by increasing the par value of the shares from 0.1euros to 3 euros, without modification of the share capital.

During the exercise of 2015, Prisa put into circulation 6,400,000 ordinary shares arising from the capital increase entirety subscribed by shareholder International Media Group.

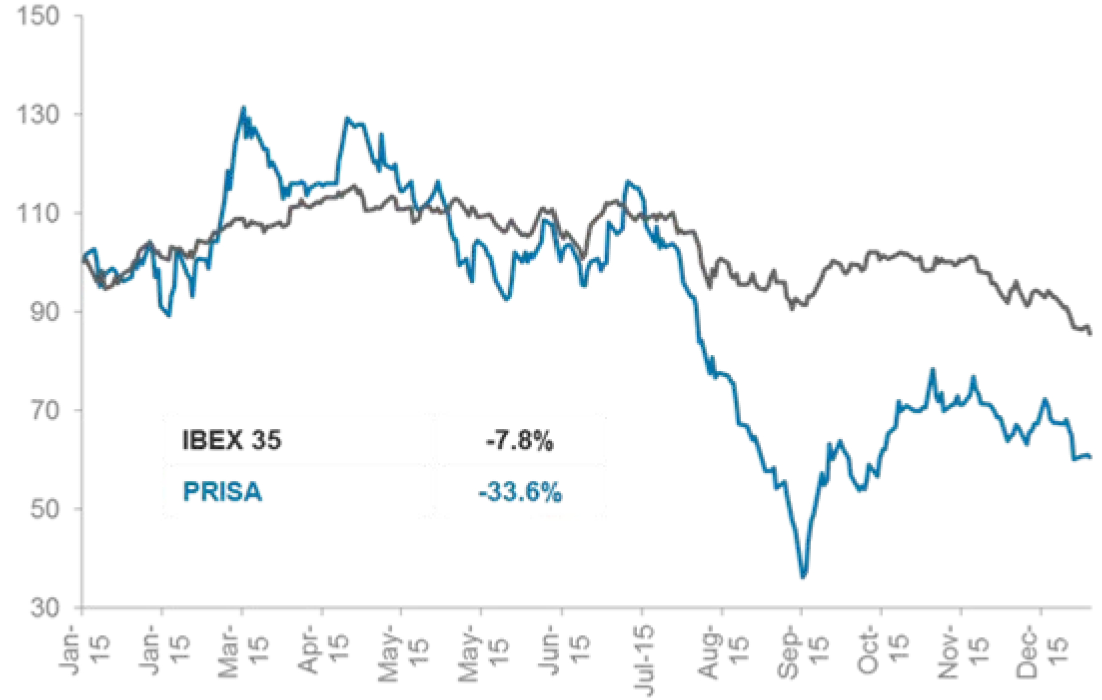
Following the changes in the Company's share capital in 2015, its main shareholders are Amber, Telefonica, Rucandio, Consorcio Transportista Occher S.A, IMG, HSBC, Santander, Caixa and Telefonica. Free float stands at around 30%.

*Share price performance*

Prisa ordinary Class A shares began 2015 trading at a price of EUR 7.86 per share ( January 2, 2015) and ended the year at EUR 5.22 per share (December 31, 2015), implying a decline of 33.6%.

Prisa's share price performance was extremely mixed over the quarters, with a 14.1% increase in the first quarter, a 11.1% fall in the second, a 58.1% plunge in the third and a 41.3% gain in the fourth. Performance was heavily shaped by the macroeconomic and political developments in Spain and in the Latam economies and the evolution of the financial markets throughout the year.

The following chart shows the performance of the Prisa Group's Class A shares relative to the IBEX35 index in 2015, indexed in both cases to 100:




*Source: Bloomberg (2 January 2015, 31 December 2015)*

## 11. AVERAGE SUPPLIER PAYMENT TIME

According to the information required by the third additional provision of Law 15/2010, of 5 July (amended by the second final provision of Law 31/2014, of 3 December) approved in accordance with the resolution of ICAC (Spanish Accounting and Audit Institute) of January 29, 2016, the average period of payment to suppliers in commercial operations for companies located in Spain rises, in 2015, to 82 days.

The maximum legal period of payment applicable in 2015 under Law 3/2004, of 29 December, for combating late payment in commercial transactions, is 60 days.

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

## 12. EVENTS AFTER THE BALANCE SHEET DATE

In January 2016, Prisa arrived at an agreement to issue bonds mandatorily convertible into ordinary shares through swapping the financial debt in a minimum of EUR 100,185 thousand, for which there is an irrevocable commitment to subscribe, and a maximum of EUR 150,000 thousand.

This agreement is subject to the approval of the Annual General Meeting, and to obtaining certification issued as a special report for the Company's Auditor pursuant to the Corporate Enterprises Act and the mandatory report from an Auditor other than the company Auditor and appointed for that purpose by the Registry of Companies, the authorisation and consent of the company's creditors under existing financial commitments and the provision that there should be no material change in the financial situation of Prisa nor any suspension of or material change in the company's share price. The approval from company's creditors under existing financial commitments was obtained as of February, 2016.

In 2016, Prisa also continued with its debt reduction process, having agreed in February to repurchase a total of EUR 65,945 thousand of debt, using for this purpose funds from the sale of shares in DTS, with a discount of 16.02%.

## 13. ANNUAL CORPORATE GOVERNANCE REPORT

(See Appendix II)

## APPENDIX II: ANNUAL REPORT ON CORPORATE GOVERNANCE

# ANNUAL REPORT ON CORPORATE GOVERNANCE

# LISTED COMPANIES

| | |
|---|---|
| FINANCIAL YEAR: | 31.12.2015 |
| TAX ID CODE: | A-28297059 |
| Corporate Name: | **PROMOTORA DE INFORMACIONES, S.A.** |
| Registered address: | Gran Vía, 32. Madrid 28013 |

*(Free translation from the original in Spanish language)*

# A. OWNERSHIP STRUCTURE

## A.1. Complete the following table concerning the company's share capital:

| Date Last Modified | Share Capital (€) | Number of Shares | Number of Voting Rights |
|---|---|---|---|
| 23/12/2015 | 235,007,874 € | 78,335,958 | 78,335,958 |

**Indicate whether there are different classes of shares having different rights:**

**NO**

## A.2. Indicate the direct or indirect owners of significant holdings in your organization at the end of the financial year, excluding Board Members:

| Shareholder's Name | Number of Direct Voting Rights | Number of Indirect Voting Rights | Total % of Voting Rights |
|---|---|---|---|
| BANCO SANTANDER, S.A. | 34,866 | 3,246,872 | 4.19 |
| FUNDACION BANCARIA CAIXA D ESTALVIS I | 0 | 2,997,879 | 3.83 |
| HSBC HOLDINGS PLC | 0 | 5,845,758 | 7.46 |
| TELEFONICA, S.A. | 3,586,245 | 0 | 4.58 |
| DON NICOLAS BERGGRUEN | 6,115 | 947,433 | 1.22 |
| GRUPO HERRADURA OCCIDENTE, S.A. DE C.V | 0 | 6,297,076 | 8.04 |
| RUCANDIO, S.A. | 0 | 13,729,811 | 17.53 |
| SOCIETE GENERALE, S.A. | 2,381,233 | 0 | 3.04 |
| INTERNATIONAL MEDIA GROUP, S.A.R.L | 6,400,000 | 0 | 8.17 |
| AMBER CAPITAL UK LLP | 0 | 10,550,034 | 13.47 |

| Indirect Shareholder's Name | Direct Shareholder's Name | Number of Direct Voting Rights |
|---|---|---|
| BANCO SANTANDER, S.A. | GROUP SANTANDER´COMPANIES | 3,246,872 |
| HSBC HOLDINGS PLC | HSBC BANK PLC | 5,845,758 |
| FUNDACION BANCARIA CAIXA D ESTALVIS I PENSIONS DE BARCELONA | CAIXABANK, S.A. | 2,997,879 |
| DON NICOLAS BERGGRUEN | BH STORES IV, B.V | 947,433 |

| | | |
|---|---|---|
| GRUPO HERRADURA OCCIDENTE, S.A. DE C.V | CONSORCIO TRANSPORTISTA OCCHER, S.A. DE C.V | 6,297,076 |
| RUCANDIO, S.A. | TIMON, S.A. | 264,271 |
| RUCANDIO, S.A. | RUCANDIO INVERSIONES, SICAV, S.A. | 11,303 |
| RUCANDIO, S.A. | PROMOTORA DE PUBLICACIONES, S.L. | 2,574,964 |
| RUCANDIO, S.A. | ASGARD INVERSIONES, SLU | 922,069 |
| RUCANDIO, S.A. | OTNAS INVERSIONES, S.L. | 3,100,000 |
| RUCANDIO, S.A. | PRISA SHAREHOLDERS´AGREEMENT | 6,857,204 |
| AMBER CAPITAL UK LLP | AMBER ACTIVE INVERSTORS LIMITED | 7,361,571 |
| AMBER CAPITAL UK LLP | AMBER GLOBAL OPPORTUNITIES LIMITED | 2,692,884 |
| AMBER CAPITAL UK LLP | AMBER SELECT OPPORTUNITIES LIMITED | 495,579 |

**Indicate the most significant changes in shareholder structure during the financial year:**

| Shareholder's Name | Date of Transaction | Description of transaction |
|---|---|---|
| AMBER CAPITAL LP | 03/08/2015 | Dropped from 3% of share capital |
| AMBER CAPITAL UK LLP | 03/08/2015 | Reached 3% of share capital |
| AMBER CAPITAL UK LLP | 02/10/2015 | Reached 5% of share capital |
| BNP PARIBAS, S.A. | 16/10/2015 | Reached 3% of share capital |
| BNP PARIBAS, S.A. | 10/11/2015 | Reached 5% of share capital |
| BNP PARIBAS, S.A. | 18/11/2015 | Dropped from 5% of share capital |
| DEUTSCHE BANK AG | 20/05/2015 | Dropped from 3% of share capital |
| DEUTSCHE BANK AG | 09/03/2015 | Reached 3% of share capital |
| MONARCH GP LLC | 25/03/2015 | Dropped from 3% of share capital |
| MONARCH MASTER FUNDING 2 (LUXEMBOURG) S.A.R.L. | 25/03/2015 | Dropped from 3% of share capital |
| MORGAN STANLEY | 29/01/2015 | Dropped from 3% of share capital |
| SUCCINITE XI HOLDINGS II S.A.R.L. | 03/08/2015 | Dropped from 3% of share capital |
| UBS GROUP AG | 28/09/2015 | Dropped from 3% of share capital |
| UBS GROUP AG | 23/09/2015 | Reached 3% of share capital |

**A.3. Complete the following tables concerning members of the Board of Directors who hold voting rights in the Company:**

| Director´s Name | Number of Direct Voting Rights | Number of Indirect Voting Rights | Total % of Voting Rights |
|---|---|---|---|
| JUAN LUIS CEBRIAN ECHARRI | 133,442 | 48,330 | 00.23% |
| MANUEL POLANCO MORENO | 8,597 | 23,841 | 00.04% |
| JOSE LUIS SAINZ DIAZ | 28,618 | 0 | 00.04% |
| CLAUDIO BOADA PALLERES | 3 | 0 | 00.00% |
| ARIANNA HUFFINGTON | 13 | 0 | 00.00% |
| ROBERTO LÁZARO ALCÁNTARA ROJAS | 5,242 | 0 | 00.01% |
| JOSE LUIS LEAL MALDONADO | 606 | 0 | 00.00% |
| GREGORIO MARAÑON BERTRAN DE LIS | 10,579 | 16,435 | 00.03% |
| ALAIN MINC | 12,927 | 0 | 00.02% |
| AGNES NOGUERA BOREL | 10,580 | 16 | 00.01% |
| JOHN PATON | 133 | 0 | 00.00% |
| BORJA JESUS PEREZ ARAUNA | 10,842 | 1,345 | 00.02% |
| ERNESTO ZEDILLO PONCE DE LEON | 11,904 | 0 | 00.02% |
| JOSEPH OUGHOURLIAN | 0 | 12,422,244 | 15.86% |
| KHALID BIN THANI BIN ABDULLAH AL-THANI | 0 | 6,400,000 | 08.17% |

| Indirect Shareholder's Name | Through: Direct Shareholder's Name | Number of Voting Rights |
|---|---|---|
| JUAN LUIS CEBRIÁN ECHARRI | CONTROLLED COMPANIES | 48,330 |
| MANUEL POLANCO MORENO | CONTROLLED COMPANIES | 23,841 |
| GREGORIO MARAÑÓN BERTRÁN DE LIS | CONTROLLED COMPANIES | 16,435 |
| AGNES NOGUERA BOREL | SPOUSE | 16 |
| BORJA JESÚS PÉREZ ARAUNA | CONTROLLED COMPANIES | 1,345 |
| JOSEPH OUGHOURLIAN | AMBER ACTIVE INVERSTORS LIMITED | 7,361,571 |
| JOSEPH OUGHOURLIAN | AMBER GLOBAL OPPORTUNITIES LIMITED | 2,692,884 |
| JOSEPH OUGHOURLIAN | AMBER SELECT OPPORTUNITIES LTED | 495,579 |
| JOSEPH OUGHOURLIAN | SUCCINITE XI HOLDINGS II SARL | 1,872,210 |
| KHALID BIN THANI BIN ABDULLAH AL-THANI | INTERNATIONAL MEDIA GROUP SARL | 6,400,000 |

| | |
|---|---|
| **Total % of Voting Rights controlled by the Board of Directors** | 24.44% |

**Complete the following table concerning Members of the Board of Directors holding stock options in the Company:**

**A.4. Indicate, if applicable, any family, commercial, contractual or corporate relationships existing between the owners of significant shareholdings that are known to the Company, unless they are irrelevant or derive from ordinary commercial transactions:**

| Names of the Related Persons or Entities |
|---|
| RUCANDIO, S.A. |
| TIMON, S.A. |

**Type of Relationship**
Corporate

**Brief Description:**
Rucandio, S.A. controls directly 56.53% of the share capital of Timón, S.A.

| Names of the Related Persons or Entities |
|---|
| ASGARD INVERSIONES, SLU |
| TIMON, S.A. |

**Type of Relationship**
Corporate

**Brief Description:**
Timón, S.A. directly controls 100% of Asgard Inversiones, S.L.U.

| Names of the Related Persons or Entities |
|---|
| PROMOTORA DE PUBLICACIONES, S.L. |
| TIMON, S.A. |

**Type of Relationship**
Corporate

**Brief Description:**
Timón, S.A. controls directly 82.95% of the share capital of Promotora de Publicaciones, S.L.

| Names of the Related Persons or Entities |
|---|
| OTNAS INVERSIONES, S.L. |
| ASGARD INVERSIONES SLU |

**Type of Relationship**
Corporate

**Brief Description:**
Asgard Inversiones, S.L.U controls directly 91.79% of the share capital of Otnas Inversiones, S.L.

| Names of the Related Persons or Entities |
|---|
| NICOLAS BERGGRUEN. |
| OTNAS INVERSIONES, S.L. |

**Type of Relationship**
Corporate

**Brief Description:**
Berggruen Acquisition Holdings S.A.R.L  direcly holds 8.21% of Otnas Inversiones, S.L.

| Names of the Related Persons or Entities |
|---|
| RUCANDIO, S.A. |
| RUCANDIO INVERSIONES SICAV, S.A. |

**Type of Relationship**
Corporate

**Brief Description:**
Rucandio, S.A. controls directly 29.40% of the share capital of Rucandio Inversiones SICAV, S.A.

| Names of the Related Persons or Entities |
|---|
| RUCANDIO, S.A. |
| PROMOTORA DE PUBLICACIONES, S.L. |

**Type of Relationship**
Corporate

**Brief Description:**
Rucandio, S.A. controls directly 8,32% of the share capital of Promotora de Publicaciones, S.L.

| Names of the Related Persons or Entities |
|---|
| CONSORCIO TRANSPORTISTA OCCHER, S.A. DE CV |
| GRUPO HERRADURA DE OCCIDENTE, S.A. DE CV |

**Type of Relationship**
Corporate

**Brief Description:** CONSORCIO TRANSPORTISTA OCCHER, S.A. DE CV  holds 99.99% of the share capital of Grupo Herradura de Occidente, S.A. de CV.

| Names of the Related Persons or Entities |
|---|
| CONSORCIO TRANSPORTISTA OCCHER, S.A. DE CV |
| GRUPO HERRADURA DE OCCIDENTE, S.A. DE CV |

**Type of Relationship**
Corporate

**Brief Description:** The company CONSORCIO TRANSPORTISTA OCCHER, S.A. DE CV is a subsidiary of Grupo Herradura de Occidente, S.A. de CV, as a result of which there are various legal, fiscal and commercial links between them.

**A.5. Indicate, if applicable, any commercial, contractual or corporate relationships existing between significant shareholders and the Company and/or its Group, unless they are of little relevance or derive from ordinary commercial transactions:**

**A.6. Indicate whether any shareholders´ agreement have been communicated to the Company pursuant to articles 530 and 531 LSC. If applicable, describe them briefly and list the shareholders bound by those agreements:**

YES

| Parties to the Shareholders 'Agreement |
|---|
| OTNAS INVERSIONES, S.L. |
| EVIEND SARL |
| CONSORCIO TRANSPORTISTA OCCHER, S.A. DE CV |
| MANUEL VARELA UÑA |
| JOSE BUENAVENTURA TERCEIRO LOMBA |
| JOSE MARIA ARANAZ CORTEZO |
| ANDRÉS VARELA ENTRECANALES |
| JUAN LUIS CEBRIAN ECHARRI |
| TIMON, S.A. |
| LIBERTAS 7, S.A. |
| PROMOTORA DE PUBLICACIONES, S.L. |
| EDICIONES MONTE ANETO, S.L. |
| ASGARD INVERSIONES, SLU |
| INVERSIONES MENDOZA SOLANO, S.L. |

**% of share capital**: 8.75%
**Brief Description of the Agreement**
2014 PRISA Shareholders´ Agreement (See the note in section H)

| Parties to the Shareholders 'Agreement |
|---|
| RUCANDIO, S.A. |
| TIMÓN, S.A. |

**% of share capital:** 3.29%
**Brief Description of the Agreement**
Shareholders´ Agreement in Promotora de Publicaciones, S.L. (See the note in section H)

| Parties to the Shareholders 'Agreement |
|---|
| IGNACIO POLANCO MORENO |
| ISABEL MORENO PUNCEL |
| MARIA JESÚS POLANCO MORENO |
| MARTA LOPEZ POLANCO |
| ISABEL LOPEZ POLANCO |
| MANUEL POLANCO MORENO |
| JAIME LOPEZ POLANCO |
| LUCIA LOPEZ POLANCO |

**% of share capital:** 17.53%
**Brief Description of the Agreement**
Shareholders´ Agreement in Rucandio, S.A. (See the note in section H)

**Indicate, if applicable, any concerted actions among company shareholders that are known to the Company:**

NO

**Expressly indicate any change or breach of those agreements or concerted actions during the financial year.**

NO

## A.7. Indicate whether any individual or corporate entity controls or may control the Company pursuant to Article 4 of the Securities Market Law, and if so, identify:

NO

## A.8. Complete the following tables concerning the Company's treasury stock:

**At year's end:**

| Number of Direct Shares | Number of Indirect Shares (*) | Total % of Share Capital |
|---|---|---|
| 457,037 | 0 | 0.58% |

**(*) Through:**

**Indicate any significant variations during the financial year with respect to the provisions of Royal Decree 1362/2007:**

## A.9. Indicate the conditions and terms of any current powers conferred upon the Board of Directors at the Shareholders 'Meeting to issue, repurchase or transfer treasury stock.

Regarding the derivative acquisition of own shares, the Shareholders 'Meeting held on June 22, 2013 passed the following resolution:

"1. To revoke, to the extent not used, the authorization granted by the Ordinary General Meeting of 30 June 2012, in point eleventh of the agenda therefore, regarding the authorization for direct or indirect derivative acquisition of own shares.

2. To grant express authorization for derivative acquisition of Class A shares of the Company, directly or through any of its subsidiaries, by purchase or by any other inter vivos act for consideration, for a maximum term of 5 years from the holding of this Meeting.

3. To approve the limits or requirements for these acquisitions, which will be as follows:

- The par value of the shares acquired directly or indirectly, added to that of those already held by the Company and its subsidiaries and, if applicable, the controlling company and its subsidiaries, at no time will exceed the permissible legal maximum.

- The acquired shares must be free of any liens or encumbrances, must be fully paid up and not subject to performance of any kind of obligation.

- A restricted reserve may be established within net worth in an amount equivalent to the amount of the treasury shares reflected in assets. This reserve shall be maintained until the shares have been disposed of or cancelled or there is been a legislative change so authoring.

- The acquisition price may not be less than par value or more than 20 percent higher than market price at the moment of the acquisition. The transactions for the acquisition of own shares will be in accordance with the rules and practices of the securities markets.

All of the foregoing will be understood to be without prejudice to application of the general scheme for derivative acquisitions contemplated in article 146 of the current Capital Companies Act.

4. It is expressly stated that the authorization for the acquisition of own shares granted pursuant to this resolution, may be used, in whole or in part, to acquire shares of the Company to be delivered by it in fulfillment of any compensation plan by means of or any agreement for the delivery of shares or options on shares to the members of the Board of Directors and to the managers of the Company in force at any time, and that express authorization is granted for the shares acquired by the Company or its subsidiaries pursuant to this authorization, and those owned by the Company at the date of holding of this General Meeting, to be used, in whole or in part, to facilitate fulfillment of the aforementioned plans or agreements.

5. The Board of Directors is also authorized to substitute the delegated powers granted by this General Shareholders Meeting regarding this resolution in favor of the Delegated Committee, the Chairman of the Board of Directors or the Chief Executive Officer."

Likewise, the current powers conferred to issue shares, upon the Board of Directors at the Shareholders ' Meeting, are the following:

- Capital increase in the amount necessary for the rights under the Prisa Warrants issued by the Company to certain of the Company's creditors, that give holders the right to subscribe for new ordinary shares of Prisa exclusively by way of the set-off of receivables, in a maximum foreseen of 37,266,130 euros, through the issue of up to a maximum total set of 372,661,305 new shares with a nominal value of 0.10 euros and with a share premium of 0.1673 euros, although this price will be adjusted in circumstances provided in the agreement. The Prisa Warrants may be exercised by holders, in whole or in part, at any time within a maximum of five (5) years. This resolution was adopted by the Extraordinary Shareholders Meeting of December 10, 2013.

- Resolution delegating authority to increase capital to the Board of Directors, with delegation to exclude preemption rights, if any, adopted by the General Shareholders Meeting of April 20, 2015, in effect until April 2020.

- Resolution delegating to the Board of Directors authority to issue fixed income securities, both straight and convertible into newly-issued shares and/or shares exchangeable for outstanding shares of Prisa and other companies, warrants (options to subscribe new shares or acquire outstanding shares of Prisa or other companies), bonds and preferred shares, with delegation of the authority to increase capital by the amount necessary to cover applications for conversion of debentures or exercise of warrants, and to exclude the preemption rights of shareholders and holders of convertible debentures or warrants on newly-issued shares, adopted by the General Shareholders Meeting of April 20, 2015 in effect until April, 2020.

- Agreement for the transfer of shares in the Company as remuneration for members of the Board of Directors and managerial staff. The total number of shares to be transferred each year may not in any case exceed 1.5% of total capital at any time. The Board of Directors is empowered to adopt such agreements as may be required to meet the obligations derived from this share transfer system in the way that best suits the interests of the Company. The shares to be transferred to participants may be Prisa treasury shares or shares from any other financial instrument specified by the Company. The above agreement was adopted by the General Shareholders Meeting held on 28 April 2014 and remains in force until April 2019.

**A.9 bis estimated floating capital:**

| | % |
|---|---|
| **Estimated floating capital** | 32.94 |

**A.10. State whether there are any restrictions on the transfer of securities and/or any restrictions on voting rights. In particular, information must be provided on the existence of any kind of restriction that may impede the takeover of the company by means of share purchases on the market.**

NO

**A.11 Indicate whether shareholders at the Annual Meeting have resolved to adopt any anti-takeover measures pursuant to Law 6/2007.**

NO

**If applicable, explain the measures passed and the terms in which restrictions would not apply:**

**A.12. State whether the company has issued securities that are not traded on an official market in the EU.**

YES

**If appropriate, state the different classes of share and, for each class of share, the rights and obligations it confers.**

i) “American Depositary Shares ”(“ADS”): At the Extraordinary General Meeting of PRISA held on 27 November 2010, ordinary class A shares and convertible class B shares were issued and were formally subscribed by a depositary bank (Citibank NA), acting purely in a fiduciary capacity for the benefit of the real owners of the PRISA shares. Simultaneously with the subscription, the depositary bank issued “American Depositary Shares ”(“ADS”), representing Class A (ADS-A) and Class B (ADS-B) shares.

The ADS representing Class A and Class B PRISA shares were listed on the New York Stock Exchange (NYSE) until: i) the mandatory conversion of the ADS-B shares in July 2014 and ii) the delisting of the ADS-A shares (requested by the Company) in September 2014.

PRISA has continued the ADS program in the European Union via the non-organized OTC market on which the ADS shares may be traded.

As indicated in relation to section A.1 (see section H of this Report), the Company's share capital is currently represented by ordinary shares, all of the same class and series, and the reference to Class A shares has disappeared. Also, in 2015 a reverse split was carried out with the consequent effects on the ADSs.

Each PRISA ADS gives the right to one ordinary PRISA share. The owners of the ADS have had the right to ask the depositary institution holding the aforementioned ADS (Citibank NA) for the direct delivery of the corresponding shares and their consequent trading on the Spanish stock exchanges.

ii) "PRISA Warrants 2013": In the context of the refinancing of the Company's bank debt, that has been signed with all the banks and certain institutional investors representing the entirety of PRISA's financial debt, the Extraordinary Shareholders Meeting of PRISA held on December 10, 2013, agreed and issuance of warrants (the "PRISA Warrants 2013 "which give the right to subscribe for new Class A ordinary shares of the Company. Likewise at the same Meeting there was approved the Company's capital increase in the amount necessary for the rights under the "PRISA Warrants 2013 "to be exercised, exclusively by way of the set-off of receivables, consequently, without pre-emption rights, delegating to the board of directors the power to execute the share issue agreed upon on one or more occasions as rights over the shares are exercised.

## B. SHAREHOLDERS MEETING

### B.1 Concerning the quorum required at Shareholders Meetings, indicate whether there are differences with respect to the minimum stipulated in the Corporations Law (LSC), and if so, explain.

NO

### B.2 Concerning rules for adopting corporate resolutions, explain whether there are differences with respect to those provided in the Corporations Law (LSC) and, if so, explain:

NO

**Describe how it differs from the regime provided for in the LSC.**

### B.3 State the rules applicable to amendment of the bylaws. In particular, information must be provided on the majorities established for amendment of the bylaws and, if appropriate, the rules established to safeguard the rights of shareholders when the bylaws are amended.

The amendment of the Bylaws is a matter for the General Shareholders Meeting and shall be carried out in accordance with the provisions contained in the Capital Companies Act and the Bylaws, whose article 17 provides that for approval of Articles amendments and unless the law otherwise provides, the favorable vote of the absolute majority of the voting shares present in person or by proxy at the General Shareholders Meeting will be required if the capital present in person or by proxy is more than fifty percent (50%), or the favorable vote of two thirds of the capital present in person or by proxy at the Meeting when, on second call, shareholders are present that represent twenty-five percent (25%) or more of the subscribed voting capital without reaching fifty percent (50%).

The Corporate Governance Committee shall report on proposals for amending the Bylaws. Furthermore, in accordance with the provisions of the Capital Companies Act, the Board shall prepare a report justifying the proposed bylaw amendment to be published on the website of the Company from the date of publication of the notice of the General Shareholders Meeting.

## B.4. Provide attendance statistics for the general shareholders ’meetings held during the year to which the present report refers and during the previous year:

| | Attendance Statistics | | | | |
|---|---|---|---|---|---|
| **Date of Shareholders ’ Meeting** | **% physically present** | **% represented by proxy** | **% distance voting** | | **Total** |
| | | | **Vote by electronic means** | **Others** | |
| 28 April 2014 | 25.48% | 22.84% | 0.00 | 0.00 | 48.32% |
| 20 April 2015 | 23.35% | 29.60% | 0.00% | 0.00% | 52.95% |

## B.5 Indicate whether there are any restrictions in the company bylaws with respect to the minimum number of shares required to attend the Annual Shareholders Meeting:

YES

| | |
|---|---|
| Number of shares required to attend the Annual Shareholders Meeting | 60 |

## B.6 Section repealed

## B.7 State the address and manner of accessing the company's website to view corporate governance content and other information on the shareholders' meetings which must be made available to shareholders through the company's website.

In accordance with the provisions of Article 35 of the Bylaws, the Company maintains a website for the information of shareholders and investors whose URL is http://www.prisa.com.

Within this website there is a section entitled "Shareholders and Investors", within which is posted all information PRISA must make available to its shareholders.

The section "Shareholders and Investors" is organized into the following sections: I. GENERAL INFORMATION: i) Communication channels, ii) Shares and Share Capital, iii) Major Shareholders and Treasury Stock, iv) Shareholder agreements Pactos parasociales, v) Dividends, vi) Investor Calendar and vii) Prospectus; II. RELEVANT EVENTS; III. FINNACIAL INFORMATION: i) Periodic Public Information (IPP), ii) Audited Financial Statements and Management Report iii) Average payment period to suppliers IV. CORPORATE GOVERNANCE: i) Bylaws, Regulations And Other Internal Rules, ii) Board of Directors and Board Committees, iii) Honorary Presidency, iv) Management Team, v) Remuneration of Board members and vi) ; V. GENERAL SHAREHOLDERS’ MEETING : i) Annual General Meeting Regulations , ii) Exercising the Right to Information , iii) Distance and proxy voting , iv) AGM 2015 , v) Preceding shareholders general meetings

# C. COMPANY MANAGEMENT STRUCTURE

## C.1. Board of Directors

**C.1.1. Indicate the maximum and minimum number of directors provided for in the Bylaws:**

| | |
|---|---|
| **Maximum Number of Directors** | 17 |
| **Minimum Number of Directors** | 3 |

**C.1.2. Complete the following table providing information concerning Board Members:**

| Director's Name | Category | Position on the Board | Date of First Appointment | Date of Last Appointment | How Elected |
|---|---|---|---|---|---|
| JUAN LUIS CEBRIÁN ECHARRI | EXECUTIVE | CHAIRMAN-CEO | 15 June 83 | 27 November 10 | APPOINTED AT THE ANNUAL SHAREHOLDERS ' MEETING |
| MANUEL POLANCO MORENO | EXECUTIVE | DEPUTY CHAIRMAN | 19 April 01 | 27 November 10 | APPOINTED AT THE ANNUAL SHAREHOLDERS ' MEETING |
| JOSE LUIS SAINZ DIAZ | EXECUTIVE | CEO | 22 July 2014 | 20 April 2015 | APPOINTED AT THE ANNUAL SHAREHOLDERS' MEETING |
| ROBERTO ALCANTARA ROJAS | PROPRIETARY | DIRECTOR | 24 February 2014 | 28 April 2014 | APPOINTED AT THE ANNUAL SHAREHOLDERS ' MEETING |
| CLAUDIO BOADA PALLERES | OTHER EXTERNAL | DIRECTOR | 18 December 13 | 28 April 2014 | APPOINTED AT THE ANNUAL SHAREHOLDERS ' MEETING |
| ARIANNA HUFFINGTON | INDEPENDENT | DIRECTOR | 24 October 2012 | 22 June 2013 | APPOINTED AT THE ANNUAL SHAREHOLDERS ' MEETING |
| JOSE LUIS LEAL MALDONADO | INDEPENDENT | DIRECTOR | 24 October 2012 | 22 June 2013 | APPOINTED AT THE ANNUAL SHAREHOLDERS ' MEETING |
| GREGORIO MARAÑÓN BERTRÁN DE LIS | INDEPENDENT | DIRECTOR | 15 June 83 | 27 November 10 | APPOINTED AT THE ANNUAL SHAREHOLDERS ' MEETING |
| ALAIN MINC | INDEPENDENT | DIRECTOR | 27 NOVEMBER 10 | 27 NOVEMBER 10 | APPOINTED AT THE ANNUAL SHAREHOLDERS ' MEETING |

| | | | | | |
|---|---|---|---|---|---|
| AGNES NOGUERA BOREL | PROPRIETARY | DIRECTOR | 20 April 06 | 27 November 10 | APPOINTED AT THE ANNUAL SHAREHOLDERS ' MEETING |
| JOHN PATON | INDEPENDENT | DIRECTOR | 24 February 2014 | 28 April 2014 | APPOINTED AT THE ANNUAL SHAREHOLDERS ' MEETING |
| BORJA JESÚS PÉREZ ARAUNA | PROPRIETARY | DIRECTOR | 18 May 00 | 27 November 10 | APPOINTED AT THE ANNUAL SHAREHOLDERS ' MEETING |
| ERNESTO ZEDILLO PONCE DE LEON | INDEPENDENT | DIRECTOR | 27 November 10 | 27 November 10 | APPOINTED AT THE ANNUAL SHAREHOLDERS ' MEETING |
| JOSEPH OUGHOURLIAN | PROPRIETARY | DIRECTOR | 18 December 2015 | 18 December 2015 | COOPTATION |
| KHALID BIN THANI BIN ABDULLAH AL THANI | PROPRIETARY | DIRECTOR | 18 December 2015 | 18 December 2015 | COOPTATION |

| | |
|---|---|
| **Total Number of Board Members** | 15 |

## Indicate any Members retiring from the Board of Directors during the financial year

| Board Member | Board member status upon retirement | Retirement Date |
|---|---|---|
| FERNANDO ABRIL-MARTORELL HERNANDEZ | OTHER EXTERNAL | 27 March 2015 |
| EMMANUEL ROMAN | INDEPENDENT | 27 March 2015 |
| JUAN ARENA DE LA MORA | INDEPENDENT | 23 October 2015 |

## C.1.3 Complete the following tables concerning the Members of the Board and their functions:

### EXECUTIVE DIRECTORS

| Director's Name | Post or Functions |
|---|---|
| MR. JUAN LUIS CEBRIÁN ECHARRI | CHAIRMAN OF THE BOARD OF DIRECTORS AND OF THE DELEGATED COMMITTEE |
| MR. MANUEL POLANCO MORENO | DEPUTY CHAIRMAN AND CHAIRMAN OF PRISA AUDIOVISUAL |
| MR. JOSE LUIS SAINZ DIAZ | CEO |

| | |
|---|---|
| **Total Number of Executive Directors** | 3 |
| **% of the Board** | 20% |

## EXTERNAL DIRECTORS REPRESENTING SIGNIFICANT SHAREHOLDINGS

| Director's Name | Name of Significant Shareholder Who He/She Represents or Who Proposed His/Her Appointment |
|---|---|
| MRS. AGNES NOGUERA BOREL | PROMOTORA DE PUBLICACIONES, S.L. |
| MR. BORJA JESÚS PÉREZ ARAUNA | TIMÓN, S.A. |
| MR. ROBERTO LAZARO ALCANTARA ROJAS | CONSORCIO TRANSPORTISTA OCCHER, S.A. DE C.V |
| MR JOSEPH OUGHOURLIAN | AMBER ACTIVE INVESTORS LIMITED |
| MR KHALID BIN THANI BIN ABDULLAH AL THANI | INTERNATIONAL MEDIA GROUP, S.À.R.L. |

| | |
|---|---|
| **Total number of external directors representing significant shareholdings** | 5 |
| **% of the Board** | 33.33% |

## INDEPENDENT EXTERNAL DIRECTORS

| Director's Name | Profession |
|---|---|
| MR. ALAIN MINC | ENGINEER, POLITICAL AND ECONOMIC ADVISER. PROFESSOR |
| MRS ARIANNA HUFFINGTON | JOURNALIST. CHAIRMAN AND CHIEF OF "THE HUFFINGTON POST MEDIA GROUP" |
| MR. ERNESTO ZEDILLO PONCE DE LEON | ECONOMIST. EX PRESIDENT OF MEXICO |
| MR. GREGORIO MARAÑÓN Y BERTRÁN DE LIS | LAWYER |
| MR JOSE LUIS LEAL MALDONADO | ECONOMIST. EX ECONOMY MINISTER AND EX PRESIDENT OF THE SPANISH BANKING ASSOCIATION |
| MR JOHN PATON | JOURNALIST. |

| | |
|---|---|
| **Total number of independent external directors** | 6 |
| **% of the Board** | 40% |

**State whether any director classed as independent receives from the company, or from its group, any amounts or benefits in respect of an item other than director remuneration, or maintains or has maintained, during the previous year, a business relationship with the company or with any company in its group, either in his own name or as a significant shareholder, director or senior manager of an entity that maintains or has maintained such a relationship.**

**If appropriate, include a statement from the Board explaining the reasons why it considers that the director in question is able to discharge his functions in his capacity as independent director.**

MR. GREGORIO MARAÑÓN Y BERTRÁN DE LIS: Legal advice during 2015 in the sum of 90,000 euros, provided to Promotora de Informaciones, S.A. (PRISA).

The Board of Directors takes the view that the legal advice provided by Mr Gregorio Marañón to PRISA does not compromise the independence of the Director as the remuneration that he receives in respect of it is not significant for the Director.

## OTHER EXTERNAL DIRECTORS

**List the other external directors and the reasons why they cannot be considered proprietary or independent and detail their relationships with the company, its executives or shareholders:**

| Director's Name | Reasons | Company, executive or shareholder with whom maintains the relationship |
|---|---|---|
| CLAUDIO BOADA PALLERES | Claudio Boada Pallerés is Senior Advisor of HSBC in Spain and Portugal | HSBC HOLDINGS PLC |

| | |
|---|---|
| **Total number of other external directors** | 1 |
| **% of the Board** | 6.67% |

**If applicable, indicate any changes that have occurred during the year in each director's status:**

**C.1.4. Complete the following table with information on the number of female directors during the previous four years, as well as the type of directorship held:**

| | **Number of female directors** | | | | **Percentage of the total number of directors in each category** | | | |
|---|---|---|---|---|---|---|---|---|
| | **Year 2015** | **Year 2014** | **Year 2013** | **Year 2012** | **Year 2015** | **Year 2014** | **Year 2013** | **Year 2012** |
| **Executive** | 0 | 0 | 0 | 0 | 0.00 | 0.00 | 0.00 | 0.00 |
| **Proprietary** | 1 | 1 | 1 | 1 | 20.00 | 33.33 | 33.33 | 25.00 |
| **Independent** | 1 | 1 | 1 | 1 | 16.66 | 12.50 | 12.50 | 12.50 |
| **Other External** | 0 | 0 | 0 | 0 | 0.00 | 0.00 | 0.00 | 0.00 |
| **Total:** | 2 | 2 | 2 | 2 | 13.33 | 12.50 | 14.28 | 12.50 |

**C.1.5 Explain the measures that, as the case may be, have been taken to seek to include on the Board of Directors a number of women which enables there to be a balanced presence of both men and women.**

| Explanation of measures |
|---|
| Pursuant to Article 529, quindecies, section 3b) of the Corporations Law (Ley de Sociedades de Capital — LSC) and Article 28 of the Board of Directors Regulation, the Nominations and Compensation Committee has set as objective for the composition of the Board of Directors that female directors account for 30% of the total in 2020 (as per recommendation 14 of the CNMV Good Governance Code), and has approved a series of principles and guidelines that must be complied with internally by the Company to improve the gender balance on the management bodies of PRISA.<br><br>Furthermore, in December 2015 the Board of Directors, at the proposal of the Corporate Governance Committee and the Nominations and Compensation Committee, and in fulfilment of the recommendations of the CNMV Good Governance Code, approved a "Director Selection Policy" that is concrete and verifiable, ensures that director appointment or re-election proposals are based on a prior analysis of the Board of Directors' needs and, at the same time, favours diversity of knowledge, experience and gender.<br><br>Noteworthy amongst the objectives of that policy are: i) that the principle of diversity in the composition of the Board of Directors should prevail in its broadest sense; ii) the director selection or re-election process will be guided by the goal of achieving an appropriate balance in the Board of Directors as a whole and, toward that end, qualified persons will be sought with personal and professional good repute and whose appointment favours diversity of knowledge, experience, background and gender on the Board of Directors and, furthermore, iii) by 2020 the number of female directors will account for at least 30% of the total members of the Board of Directors. |

### C.1.6. Explain the measures that, as the case may be, have been taken by the Appointments Committee to ensure that there is no implicit bias in selection procedures which could obstruct the selection of female directors, and so that the company actively looks for and includes women who meet the required professional profile in the potential candidates:

| Explanation of measures |
|---|
| One of the changes made in the Board of Directors Regulation in 2015 was the inclusion of the following provision: "the Board of Directors will ensure that the procedures for selection of its members favour diversity of gender, experience and knowledge and do not suffer from implicit bias that could imply any discrimination".<br><br>In addition, as already stated in section C.1.5 above, in December 2015: i) the Nominations and Compensation Committee set a target for representation of the gender less represented on the Board of Directors and drew up guidelines on how to achieve this objective, and ii) the Board of Directors approved a "Director Selection Policy", the objectives of which including favouring gender diversity on the Board.<br><br>Notwithstanding the above, the selection process of the Company is mainly based on the suitability and prestige of the candidates. Previously no ad hoc measures for selecting female directors had been established, precisely due to the non-sexist nature of the Company's procedures. |

### If, despite the measures that may, as the case may be, have been taken there are few female directors, or none at all, explain the reasons for this situation:

| Explanation of reasons |
|---|
| At year-end, 13.33% of the Board of Directors of the Company was formed by women, that represent 16.66% of the independent directors and 20% of proprietary directors. |

Also, women represent 25% of the members of the Appointments and Remuneration Committee and 50% of the members of the Corporate Governance Committee.

Therefore, the number of directors in the Company, despite not being peer is not considered to be few or non existent.

Notwithstanding the above and given that in November 2015 the term of office of some of the Company's directors expired and, pursuant to Article 225 of the Corporations Law the office will lapse when the next ordinary general meeting of shareholders is held, the Company will address the next restructuring of the Board taking into account the policies and principles approved on gender diversity and selection of directors.

## C.1.6 bis Explain the findings of the Nominations and Compensation Committee on the verification of compliance with the selection Policy. And in particular, how the policy is promoting the goal that by 2020 women Directors represent at least 30% of the total members of the board.

**Explanation of conclusions:**

As already stated in sections C.1.5 and C.1.6 above, on December 18, 2015 the Board of Directors, on a proposal from the Appointments and Remuneration Committee and the Corporate Governance Committee, approved a concrete and verifiable "Director Selection Policy" whose objectives include favouring gender diversity on the Board and, in particular, sets the target for 2020 to bring the number of female directors to at least 30% of the Board total. Also in December 2015 the Nominations and Compensation Committee drew up guidelines on how to achieve this objective.

Since then there have been no changes in the composition of the Board, except for the incorporation of two directors representing significant shareholdings, Joseph Oughourlian and Khalid Bin Thani Bin Abdullah Al Thani, who were appointed as directors at the same meeting of the Board in which that Policy was approved

For the above reasons and, in particular, given the recent date of its approval, it is not possible to verify compliance with such specific selection Policy, but selection processes were based on the principles set by these Policy.

As already indicated in section C.1.6 of this Report, the Company will address a next restructuring of the Board, taking into account the policies and principles approved on gender diversity and selection of directors.

## C.1.7. Explain how shareholders with significant holdings are represented on the Board.

As already indicated in section C.1.3 of this Report, the Company has three directors representing significant shareholders of the Company: Mr Borja Jesús Perez Arauna, Mrs. Agnes Noguera Borel, Mr Roberto Lázaro Alcántara Rojas, Mr Khalid Bin Thani Bin Abdullah Al Thani and Mr Joseph Oughourlian.

Mr Borja Jesús Perez Arauna represents Timon, S.A. ( Timon ) and Mrs. Agnes Noguera Borel represents Promotora de Publicaciones, SL ( Propu ). Both Timon as Propu are ultimately controlled by Rucandio , S.A, that has an indirect interest of 17.53% in the share capital of PRISA (being included in this percentage the voting rights of the Company that are syndicated through the Shareholders Agreement dated April 24, 2014, which is described in Section A.6 of this Report).

Mr Roberto Lázaro Alcántara Rojas represents Consorcio Transportista Occher, S.A. de CV, that has a direct interest of 8.04% in the share capital of PRISA and that is linked to Rucandio through the above mentioned shareholders agreement dated April 24, 2014.

Mr Khalid Bin Thani Bin Abdullah Al Thani represents International Media Group, S.à.r.l. that has a direct interest of 8.17% in the share capital of PRISA.

Mr Joseph Oughourlian represents Amber Active Investors Limited. Mr Oughourlian has an indirect interest of 15.86% of the share capital of PRISA, through Amber Active Investors Limited and other companies.

Finally it is noted that Mr Manuel Polanco Moreno is a Director representing significant shareholders at the instance of Timon, SA and also is executive director.

**C.1.8. Explain, if applicable, why directors representing significant shareholdings have been appointed at the request of shareholders whose stake is less than 3% of share capital:**

**Indicate whether formal requests for representation on the board have been denied shareholders whose stake is equal or higher than others whose requests to appoint a director to represent a significant shareholding was granted. If so, explain why such requests were denied:**

NO

**C.1.9. Indicate whether any board member has left his post before the end of his mandate, whether he explained his reasons to the board and by what means, and if expressed in writing to the entire board, provide the reasons given:**

| Board Member's Name | Reasons |
|---|---|
| FERNANDO ABRIL-MARTORELL HERNANDEZ | His professional commitments prevent him from exercising office with proper dedication. |
| EMMANUEL ROMAN | His professional commitments prevent him from exercising office with proper dedication. |
| JUAN ARENA DE LA MORA | He has resigned as a director for personal reasons. |

**C.1.10. If applicable, indicate the powers delegated to members of the Board of Directors:**

| Board Member's Name | Brief Description |
|---|---|
| MR JUAN LUIS CEBRIÁN ECHARRI | HE HAS BEEN DELEGATED ALL POWERS OF THE |

| | |
|---|---|
| | BOARD OF DIRECTORS EXCEPT THOSE THAT CANNOT BE DELEGATED BY LAW |
| MR JOSE LUIS SAINZ DIAZ | HE HAS BEEN DELEGATED ALL POWERS OF THE BOARD OF DIRECTORS EXCEPT THOSE THAT CANNOT BE DELEGATED BY LAW |

**C.1.11. If applicable, identifies board members who hold posts as directors or officers in subsidiary companies within the listed company's group:**

| Director's Name | Name of the Group Company | Position | Does he/she has executive functions? |
|---|---|---|---|
| JUAN LUIS CEBRIAN ECHARRI | DIARIO EL PAIS, S.L. | CHAIRMAN | NO |
| JUAN LUIS CEBRIAN ECHARRI | EDICIONES EL PAIS | CHAIRMAN | NO |
| JUAN LUIS CEBRIAN ECHARRI | PRISA INC | CHAIRMAN | NO |
| JUAN LUIS CEBRIAN ECHARRI | PROMOTORA DE ACTIVIDADES AMERICA 2010 MEXICO, S.A. DE CV. | CHAIRMAN AND CHIEF EXECUTIVE OFFICER | NO |
| MANUEL POLANCO MORENO | PRISA AUDIOVISUAL, S.L. | CHAIRMAN | YES |
| MANUEL POLANCO MORENO | GRUPO MEDIA CAPITAL, SGPS, S.A. | DIRECTOR | NO |
| MANUEL POLANCO MORENO | MCP MEDIA CAPITAL PRODUCOES, S.A | CHAIRMAN | NO |
| MANUEL POLANCO MORENO | MEDIA CAPITAL PRODUCOES INVESTIMENTOS SGPS, S.A. | CHAIRMAN | NO |
| MANUEL POLANCO MORENO | PLURAL ENTERTAINMENT CANARIAS, S.L.U | SOLE DIRECTOR | YES |
| MANUEL POLANCO MORENO | PLURAL ENTERTAINMENT ESPAÑA, S.L.U | JOINT AND SEVERAL DIRECTOR | YES |
| MANUEL POLANCO MORENO | PLURAL ENTERTAINMENT PORTUGAL, S.A | CHAIRMAN | NO |
| MANUEL POLANCO MORENO | PRODUCTORA CANARIA DE PROGRAMAS, S.L. | DIRECTOR | NO |
| MANUEL POLANCO MORENO | SOCIEDAD CANARIA DE TELEVISION REGIONAL, S.A. | JOINT AND SEVERAL CEO | YES |
| MANUEL POLANCO MORENO | TESELA PRODUCCIONES CINEMATOGRÁFICAS, S.L. | JOINT AND SEVERAL DIRECTOR | YES |
| MANUEL POLANCO MORENO | TVI - TELEVISÃO INDEPENDENTE, SA | CHAIRMAN | NO |
| MANUEL POLANCO MORENO | VERTIX, SGPS, S.A. | CHAIRMAN | NO |
| ARIANNA HUFFINGTON | DIARIO EL PAIS, S.L. | DIRECTOR | NO |
| ARIANNA HUFFINGTON | EDICIONES EL PAIS, S.L. | DIRECTOR | NO |

| | | | |
|---|---|---|---|
| JOHN PATON | DIARIO EL PAIS, S.L. | DIRECTOR | NO |
| JOHN PATON | EDICIONES EL PAIS, S.L. | DIRECTOR | NO |
| JOSE LUIS SAINZ DIAZ | DIARIO EL PAIS, S.L. | DIRECTOR | NO |
| JOSE LUIS SAINZ DIAZ | EDICIONES EL PAIS, S.L. | DIRECTOR | NO |
| JOSE LUIS SAINZ DIAZ | DIARIO AS, S.L. | DIRECTOR | NO |

**C.1.12. If applicable, indicate the directors of your company who are members of the boards of directors of other companies listed on official Spanish securities markets, other than companies in your own group, which have been reported to the company:**

| Director's Name | Name of Listed Company | Position |
|---|---|---|
| AGNES NOGUERA BOREL | LIBERTAS 7, S.A. | CHIEF EXECUTIVE OFFICER |
| ALAIN MINC | CAIXABANK, S.A. | DIRECTOR |
| GREGORIO MARAÑÓN Y BERTRÁN DE LIS | COMPAÑÍA DE DISTRIBUCION INTEGRAL LOGISTA HOLDINGS, S.A. | CHAIRMAN |
| ARIANNA HUFFINGTON | ONEX CORPORATION | DIRECTOR |
| JOSEPH OUGHOURLIAN | COFIDE SpA | DIRECTOR |
| KHALID BIN THANI BIN ABDULLAH AL THANI | EZDAN HOLDING GROUP | CHAIRMAN |
| KHALID BIN THANI BIN ABDULLAH AL THANI | QATAR INTERNATIONAL ISLAMIC BANK | CHAIRMAN |
| KHALID BIN THANI BIN ABDULLAH AL THANI | VODAFONE QATAR | CHAIRMAN |
| KHALID BIN THANI BIN ABDULLAH AL THANI | MEDICARE GROUP | VICE CHAIRMAN |
| KHALID BIN THANI BIN ABDULLAH AL THANI | QATAR ISLAMIC INSURANCE CO. | DIRECTOR |
| KHALID BIN THANI BIN ABDULLAH AL THANI | AL LJARAH HOLDING | DIRECTOR |

**C.1.13. Indicate, and if applicable explain, whether the company has established rules regarding the number of boards on which its directors may sit:**

**YES**

Article 10 of the Board Regulations provides that:

1. The executive Directors of the Company may not serve as directors of more than four (4) companies other than the Company and its Group, the shares of which are admitted to trading on domestic or foreign stock exchanges. They also may not assume executive functions of any kind within such companies.

2. The non-executive Directors of the Company may not serve as directors of more than four (4) companies other than the Company and its Group, the shares of which are admitted to trading on domestic or foreign stock exchanges.

3. For purposes of the rules established in 1 and 2 above:

   a) All of the administration bodies of companies that are a part of the same group, as well as those of which a Director is a member in the capacity of a proprietary Director proposed by any company in that group, will be considered to be a single administration body, even if the equity interest in or the degree of control over the company does not allow it to be considered to be a member of the group; and

   b) The administration bodies of family-held holding companies or companies that serve as vehicles for the exercise of the profession of the Director, the Director's spouse or a person with a comparable relationship, or the Director's closest relatives, are not included.

   c) By way of exception, for duly justified reasons, the Board of Directors may exempt a Director from this prohibition.

## C.1.14. Section repealed

## C.1.15. State the overall remuneration of the Board of Directors:

| | |
|---|---|
| **Remuneration of the Board of Directors (thousands of €)** | 6,324 |
| **Amount of total pension rights accumulated by current directors (thousands of euros)** | 0 |
| **Amount of total pension rights accumulated by former directors (thousands of euros)** | 0 |

## C.1.16. Identify members of senior management who are not executive directors and indicate the total remunerations paid in their favor during the financial year:

| Name | Position |
|---|---|
| MIGUEL ANGEL CAYUELA SEBASTIAN | CHIEF EXECUTIVE OFFICER OF GRUPO SANTILLANA |
| ANTONIO GARCIA-MON MARAÑES | SECRETARY GENERAL |
| FERNANDO MARTINEZ ALBACETE | CFO |
| BARBARA MANRIQUE DE LARA | CORPORATE COMMUNICATIONS, MARKETING & EXTERNAL RELATIONS DIRECTOR |
| VIRGINIA FERNANDEZ IRIBARNEGARAY | INTERNAL AUDIT DIRECTOR |

| | |
|---|---|
| ANDRES CARDÓ SORIA | CEO PRISA RADIO |
| ROSA CULLEL | CEO MEDIA CAPITAL. |
| MANUEL MIRAT SANTIAGO | CEO PRISA NOTICIAS |
| ANTONIO ALONSO SALTERAIN | CHIEF REVENUE OFFICER |
| NOELIA HERNANDEZ ARROYO | MANAGING DIRECTOR AND BUSINESS DEVELOPMENT AND DIGITAL TRANSFORMATION |

| | |
|---|---|
| **Total Senior Management Salaries (in Euros 000)** | **5,591** |

**C.1.17. If applicable, identify the members of the Board of Directors who are likewise members of the boards of directors of significant shareholder´s companies and/or in companies within its group:**

| Director's Name | Significant Shareholder's Corporate Name | Position |
|---|---|---|
| MANUEL POLANCO MORENO | RUCANDIO, S.A. | CEO |
| MANUEL POLANCO MORENO | TIMÓN, S.A. | DEPUTY CHAIRMAN |
| DON MANUEL POLANCO MORENO | RUCANDIO INVERSIONES SICAV | DIRECTOR |
| BORJA PÉREZ ARAUNA | TIMÓN, S.A. | DEPUTY CHAIRMAN |
| BORJA PÉREZ ARAUNA | OTNAS INVERSIONES, S.L. | DIRECTOR |
| BORJA PÉREZ ARAUNA | PROMOTORA DE PUBLICACIONES, S.L. | JOINT AND SEVERAL DIRECTOR |
| BORJA PÉREZ ARAUNA | ASGARD INVERSIONES, SLU | JOINT AND SEVERAL DIRECTOR |
| ROBERTO LAZARO ALCANTARA ROJAS | CONSORCIO TRANSPORTISTA OCCHER, S.A. DE CV | CHAIRMAN |
| ROBERTO LAZARO ALCANTARA ROJAS | GRUPO HERRADURA DE OCCIDENTE, S.A. DE CV | CHAIRMAN |
| ALAIN MINC | CAIXABANK, S.A. | DIRECTOR |

**If applicable, indicate the relevant relationships (other than those listed in the previous table) existing between members of the Board of Directors and significant shareholders and/or companies in the group:**

| Director's Name | Significant Shareholder's Name | Description of the Relationship |
|---|---|---|
| MANUEL POLANCO MORENO | RUCANDIO, S.A. | THE DIRECTOR OWNS 13.55% OUTRIGHT AND IS THE NAKED OWNER OF 11.45% OF THE SHARE CAPITAL OF RUCANDIO, S.A. |
| MANUEL POLANCO | RUCANDIO INVERSIONES | THE DIRECTOR HAS DIRECT |

| | | |
|---|---|---|
| MORENO | SICAV, S.A. | HOLDINGS (13.81%) IN THE SHARE CAPITAL OF RUCANDIO INVERSIONES SICAV, S.A. |
| BORJA JESÚS PÉREZ ARAUNA | TIMÓN, S.A. | THE DIRECTOR HAS AN EMPLOYMENT RELATIONSHIP WITH TIMÓN, S.A. |
| BORJA JESÚS PÉREZ ARAUNA | PROMOTORA DE PUBLICACIONES, S.L. | THE DIRECTOR HAS DIRECT HOLDINGS (0.0081%) IN THE SHARE CAPITAL OF PROMOTORA DE PUBLICACIONES, S.L. |
| ROBERTO LAZARO ALCANTARA ROJAS | GRUPO HERRADURA DE OCCIDENTE, S.A. DE CV | THE DIRECTOR HAS INDIRECT HOLDINGS (18.1815%) IN THE SHARE CAPITAL OF GRUPO HERRADURA DE OCCIDENTE, S.A. DE CV. |
| CLAUDIO BOADA PALLERES | HSBC HOLDINGS PLC | THE DIRECTOR IS SENIOR ADVISOR OF HSBC IN SPAIN AND PORTUGAL. |
| ARIANNA HUFFINGTON | NICOLAS BERGGRUEN | THE HUFFINGTON POST (WHOSE PRESIDENT AND MANAGER IS ARIANNA HUFFINGTON, DIRECTOR OF PRISA) AND THE BERGGRUEN INSTITUTE (WHOSE CHAIRMAN IS NICOLAS BERGGRUEN, SHAREHOLDER OF PRISA) PARTNERED IN 2014 ON THE CREATION OF THE ONLINE PUBLICATION THEWORLDPOST. |
| JOSEPH OUGHOURLIAN | AMBER CAPITAL UK LLP | JOSEPH OUGHOURLIAN HAS A DIRECT SHAREHOLDING (1%) IN AMBER CAPITAL UK LLP AND CONTROLS, FOR THE PURPOSES OF ART. 5 OF CONSOLIDATED TEXT OF THE SPANISH SECURITIES MARKET LAW:<br>- AMBER CAPITAL UK, LLP, WHICH ACTS AS INVESTMENT MANAGER OF AMBER ACTIVE INVESTORS LIMITED, AMBER GLOBAL OPPORTUNITIES LIMITED AND AMBER SELECT OPPORTUNITIES LIMITED.<br>- AMBER CAPITAL LP, WHICH ACTS AS INVESTMENT MANAGER OF SUCCINITE XI HOLDINGS II SARL. |
| KHALID BIN THANI BIN ABDULLAH AL THANI | INTERNATIONAL MEDIA GROUP, S.A.R.L | INTERNATIONAL MEDIA GROUP, S.A.R.L IS OWNED 100% BY INTERNATIONAL MEDIA GROUP LIMITED WHICH, IN TURN, IS OWNED 100% BY KHALID BIN THANI BIN ABDULLAH AL THANI. |

## C.1.18. Indicate if the Board Regulation has been amended during the year.

YES

In February 2015 the Board of Directors Regulation was amended as part of the integral review of all of the Company's internal rules intended to: i) adapt those rules to the provisions of Law 31/2014 of December 3, 2014 amending the Corporations Law to improve corporate governance, ii) align them with the internal situation of the company and with its customary corporate governance practices and iii) make technical improvements of a purely formal, systematic or grammatical nature.

The Board of Directors Regulation was likewise amended in December 2015 to address certain questions provided for in recommendations 22, 34 and 53 of the CNMV Good Governance Code.

## C.1.19. Indicate the procedures for the selection, appointment, reelection, evaluation and removal of directors. Describe the bodies empowered to do so, the steps to be taken and the criteria to be applied in each of those procedures.

Procedures for the selection, appointment, reelection, evaluation and removal of directors are regulated by the Bylaws and the Board Regulations.

Furthermore, in 2015 the Board of Directors, pursuant to the recommendations of the CNMV Good Governance Code, approved a "Director Selection Policy", that is concrete and verifiable, ensures that director appointment or re-election proposals are based on a prior analysis of the Board of Directors' needs and, at the same time, favours diversity of knowledge, experience and gender composition.

Noteworthy amongst the objectives of that policy are: i) that the principle of diversity in the composition of the Board of Directors should prevail in its broadest sense; ii) the director selection or re-election process will be guided by the goal of achieving an appropriate balance in the Board of Directors as a whole and, toward that end, qualified persons will be sought with personal and professional good repute and whose appointment favours diversity of knowledge, experience, background and gender on the Board of Directors and, furthermore, iii) by 2020 the number of female directors will account for at least 30% of the total members of the Board of Directors.

According to Article 19 of the Company Bylaws, the Board shall have a minimum of three and a maximum of seventeen members, who shall be appointed by and whose number shall be determined at the Shareholders ' Meeting. In that regard, the shareholders may expressly determine the number at a Meeting, or may do so indirectly by choosing to fill or not to fill vacancies or to appoint or not to appoint new Directors within the aforementioned minimum and maximum number of members.

The Board of Directors shall appoint a Chairman from among its members and may likewise appoint one or several deputy chairmen. It may also appoint a Delegated Committee from one of its members, or one or several Chief Executive Officers, to whom the Board may grant joint or joint and several powers to represent the Company. The Board shall also appoint a secretary, who need not be a board member, and may appoint a deputy secretary, who likewise need not be a board member.

If the Chairman is an executive Director, the Board of Directors, with the abstention of the executive Directors and on proposal of the Corporate Governance Committee, must appoint a Coordinating Director from among the independent Directors, who will be specifically empowered to request a call of the Board of Directors or inclusion of new points on the agenda for a Meeting already called; coordinate and meet with the non-executive Directors and if applicable, to lead the periodic evaluation of the Chairman of the Board of Directors.

Article 20 of the Bylaws also provides that The Board of Directors will be so comprised that proprietary and independent Directors represent a majority over executive Directors.

Chapter VI of the Board Regulations provides for the following procedures for appointing, reelection and removing Directors:

- Appointment of Directors: Directors shall be appointed by the participants at the Shareholders ’Meeting or, provisionally, by the Board of Directors in accordance with the provisions of the Companies Law and the Company Bylaws.

The proposals for appointment of Directors that the Board of Directors submits for consideration of the General Meeting and the appointment resolutions adopted by the Board using the co-option authority legally attributed to it, must comply with the provisions of this Regulation and be preceded by the corresponding proposal, in the case of independent Directors, or report, for other Directors, of the Appointment and Remuneration Committee. Proposals for appointment of independent Directors in any event must be preceded by a report of the Corporate Governance Committee.

Proposals for appointment of Directors in any event must attach an explanatory report of the Board of Directors that evaluates the competence, experience and merits of the proposed candidate, which will be attached to the minutes of the General Meeting or of the Board.

In this regard, the Board of Directors and the Appointment and Remuneration Committee will endeavour, within the scope of their respective powers, to ensure that the chosen candidates are people of proven competence and experience.

- Re-appointment of Directors: Proposals for re-election of Directors that the Board of Directors decides to submit to the General Meeting must be subjected to a formal process of preparation, requiring the following: i) in the case of independent Directors, a proposal from the Appointment and Remuneration Committee, after a report from the Corporate Governance Committee; and ii) in the case of other Directors, a report from the Appointment and Remuneration Committee.

The reports of the Committees will evaluate the performance and dedication of the proposed Directors to their positions during their prior terms.

- Tenure of Service: Directors shall be appointed for a term of four (4) years, and may be re-appointed. Directors appointed by co-optation may be ratified in office by resolution of the first shareholders meeting following his appointment. If there is a vacancy after the General Meeting is called and before it is held, the Board of Directors may appoint a Director until the holding of the following General Meeting.

- Termination of Tenure: Directors shall leave their posts when the period for which they were appointed has expired, or when so decided by shareholders at a shareholders meeting in the exercise of the powers that are conferred upon them by statute or in the bylaws. Directors shall offer their resignations to the Board of Directors and, if deemed appropriate, formally resign in cases provided in article 24 of the Board of Directors Regulation, which are described in section C.1.21 below.

The Board of Directors shall not propose the removal of any independent director before completing the term of office set forth in the bylaws for which he was appointed, unless the Board deems that there is just cause for doing so and after seeking the opinion of the Appointment and Remuneration Committee. In that regard, just cause shall be deemed to exist when the director has failed to fulfill the duties inherent in his post.

Committee members shall leave their posts when they cease to be directors.

- Voting Objectivity and Secrecy: All votes of the Board of Directors regarding the appointment, re-election and removal of Directors will be secret if so requested by any of its members, without prejudice to the right of any Director to reflect the sense of his vote in the minutes.

-Evaluation: As provided in the Board of Directors Regulation, annual evaluation of the functioning of the Board of Directors, the functioning of its Committees, and proposal, based on the results, of an action plan correcting detected deficiencies, shall be submitted to Board approval with the previous report by the

Corporate Governance Committee. The Chairman will organize and coordinate with the chairman of the relevant Committees the regular evaluation of the Board. Additional information on the assessment of the Board is provided in section C.1.20 below.

## C.1.20 Explain to what extent the self-evaluation has produced significant changes to its internal organization and to the procedures applying to its activities:

| **Description of changes** |
|---|
| During 2015 certain internal rules of the Company have been modified (ByLaws, Regulation of the Shareholders Meeting and Regulation of the Board of Directors) not only to adapt them to Law but also to incorporate certain recommendations in relation to good corporate governance and to bring it into line with the internal situation and the Company's customary corporate governance practices; in some cases as a result of the evaluation made in 2014.<br><br>Note that in the year 2014 the Board of Directors approved a "Guide to Good Practice", The practices listed constitute a guide to good governance in internal matters and it was hoped that it would lead to better and more efficient functioning of the Company's governing bodies, improving the framework of Corporate Governance in the Company, complementing the requirements of applicable legislation and the Company's internal regulations. That Guide arose from the self-evaluation made by the Board in previous years.<br><br>During 2015 the Board emphasized compliance with that Guide, which was also reviewed. Specifically, there were improvements in the advance timing with which the documentation is sent to the directors and also a special meeting of the Board was held for the review and monitoring of the Strategic Plan. These two aspects are provided in the Decalogue, as a result of the assessments made in previous years. |

## C.1.20 bis. Describe the evaluation process (and the areas evaluated) conducted by the board of directors, assisted, if applicable, by an external facilitator, in relation to diversity in the membership and competences of the board, the performance and membership of its committees, the performance of the chairman of the board of directors and the company's chief executive, and the performance and contribution of each director.

In accordance with Article 29.3.a.vi of the Board of Directors Regulation, the competences of the Corporate Governance Committee include presenting a report to the Board of Directors evaluating the performance of the Board and its Committees, with an action plan to correct the weaknesses detected.

Toward that end the Corporate Governance Committee prepares questionnaires that it distributes to the directors in order for them to evaluate certain aspects of the operation and methodology of the Boar and of the Committees on which they sit, and on matters of strategic planning, operational and financial supervision. The Board of Directors does not evaluate the individual performance and contribution of each director, as it believes an overall evaluation of the board as a single body is sufficient.

The Chairman of the Corporate Governance Committee takes the evaluations carried out by the directors and prepares a report with conclusions and with the consequent actions or improvements to be proposed to the Board.

In this process the Company does not engage the assistance of an external facilitator.

## C.1.20 ter. Breakdown, where appropriate, business relations that the consultant or any company of its group holds with the company or any company in its group.

As already indicated in section C.1.20 bis above, the Company has not hired any external consultant for the evaluation process of the Board.

## C.1.21. Indicate under what circumstances Directors are obliged to resign.

As set forth in Article 24.2 of the Board Regulations, Directors must tender their resignation to the Board of Directors and, if the Board deems it to be appropriate, resign, in any circumstance that might harm the company's name or reputation and particularly in the following cases:

1) When they are subject to any of the circumstances of incompatibility or prohibition or grounds for removal contemplated by law.

2) When a a director is indicted or tried for any of the offences stated in company legislation.

   Notwithstanding the foregoing, Directors must to inform the board of any criminal charges brought against them and the progress of any subsequent trial.

3) When they are seriously admonished by the Board of Directors for violating their duties as Directors.

4) When the reasons for their appointment cease to exist or, in particular, an independent Director or a proprietary Director no longer qualifies as such.

5) When, in the course of one year, they fail to physically attend more than two (2) meetings of the Board of Directors, of the Delegated Commission or of the other Committees to which they belong, of which one necessarily must be of a Board meeting, without just cause in the judgment of the Board, the Delegated Commission or the other Committee to which they belong.

6) When their remaining on the Board, by reason of lack of suitability, on the terms described in article 38.4 this Regulation, may, directly, indirectly or through persons related thereto, put loyal and diligent exercise of their duties in accordance with the corporate interest at risk.

Article 38.4 of the Board of Director Regulations provides that in those cases in which the conflict of interest is or may reasonably be expected to be of such nature that it constitutes a structural and permanent conflict between the Director (or a person related thereto or, in the case of a proprietary Director, the shareholder or shareholders that proposed or made the appointment or the persons directly or indirectly related thereto) and the Company or the companies in its Group, the Director will be deemed to be or have become unsuitable for exercise of the position for purposes of the provisions of article 24 of this Regulation.

## C.1.22. Section repealed

## C.1.23. Are reinforced majorities required for taking certain types of decisions, other than those required by law?

NO

## C.1.24. Indicate whether the requirements for being elected Chairman differ from those required for election to the Board:

NO

**C.1.25. Indicate whether the Chairman may exercise a casting vote:**

YES

| Matters in which the Chairman has a Casting Vote |
|---|
| Pursuant to Article 29.3 of the Company Bylaws and Article 19.3 of the Board Regulations, the Chairman may exercise a casting vote to break any possible ties that may arise concerning any matter. |

**C.1.26. Indicate whether the Bylaws of the Board Regulations set an age limit for Directors:**

NO

**B.1.27. Indicate whether the Bylaws or Board Regulations limit the term of office of independent directors, different from that required by law:**

NO

**C.1.28 Indicate whether the Bylaws or board regulations stipulate specific rules on appointing a proxy to the board, the procedures thereof and, in particular, the maximum number of proxy appointments a director may hold. Also indicate whether there is any limitation beyond the statutory restrictions on the categories in which a proxy appointment may be made. If so, give brief details.**

Article 29 of the Company Bylaws and Article 19 of the Board Regulations provide that if it is impossible for them to attend board meetings, they will appoint another director as proxy. In that regard, proxies must be in writing, specifically for the meeting in question and instructing to the representative about the sense of any vote.

Non-executive directors can only delegate their representation to other non-executive directors.

**C.1.29. Indicate how many Board Meetings were held during the year. Also indicate, if appropriate, how often the Board met without the chairman's attendance. Proxies granted with no specific instructions will be treated as attendances.**

| | |
|---|---|
| **Number of Board Meetings** | 6 |
| **Number of meetings that the President did not attend** | 0 |

**If the chairman is an executive director, indicate the number of meetings held without the attendance or representation of an executive director and under the chairmanship of the coordinating director**

| | |
|---|---|
| **Number of meetings** | 4 |

**Indicate the number of meetings held by the Board's committees:**

| Committees | Number of Board Meetings |
|---|---|
| Delegated Committee | 5 |
| Audit Committee | 7 |
| Compensations and Nominations Committee | 7 |
| Corporate Governance Committee | 5 |
| Committee for Strategic Digital Change | 8 |

**C.1.30. Indicate the number of meetings held by the Board of Directors during the financial year in which all members were in attendance. Proxies in attendance with specific instructions should be counted as attendances:**

| | |
|---|---|
| **Number of meetings with all directors attending** | 0 |
| **% of attendances with respect to the total number of votes during the year** | 90.48 |

**C.1.31. Indicate whether the individual and consolidated annual accounts submitted to the Board for its approval are previously certified:**

NO

**Identify, if applicable, the person or persons who certified the individual and consolidated annual accounts of the Company, for submission to the Board:**

**C.1.32. Explain, if they exist, the mechanisms established by the Board of Directors to prevent the annual and consolidated accounts from being submitted at the Shareholders 'Meeting with provisos in the Auditor's Report.**

According to Article 27 of the Board Regulations and, by reference, Article 529.quaterdecies of the Corporations Law (LSC), the Audit Committee has the following duties in relation to the process of preparing and publishing the Company's financial information:

i. Supervising the effectiveness of the company's internal control, the internal audit and risk management systems, including tax risks, as well as discussing with the statutory auditor any significant weaknesses detected in the audit in the internal control system.

ii. Supervising the process of preparing and presenting the prescribed financial information.

iii. Giving the board of directors prior reports on the periodic financial information the company must publish.

## C.1.33. Is the Secretary of the Board of Directors likewise a Director?

NO

## If the secretary does not hold a full directorship, complete the following table:

| Full individual or corporate name of Secretary | Representative |
|---|---|
| Antonio García-Mon Marañes | |

## C.1.34 . Section repealed

## C.1.35. Indicate, if applicable, the mechanisms established by the Company to preserve the independence of auditors, financial analysts, investment banks and rating agencies.

Article 27 of the Board Regulation and, by reference, Article 529 quaterdecies of the LSC, provides that the Audit Committee will have the following basic duties in relation to the Company's statutory auditor:

i. Raising with the board of directors the proposals for selection, appointment, re-election and replacement of the statutory auditor, as well as the contractual terms of its engagement, and obtaining information therefrom on a regular basis regarding the audit plan and its implementation, as well as ensuring independence in the exercise of its duties.

ii. Establishing the appropriate relationships with the statutory auditors to receive information regarding such questions as may compromise their independence, for review by the committee, and any others related to the process of auditing accounts, and such other communications as may be contemplated in the legislation regarding auditing of accounts and audit standards. In all events, there must be received each year from the statutory auditors the declaration of their independence in relation to the company or to its directly or indirectly related companies, as well as the information on additional services provided of any kind and the frees received from said entities by the statutory auditors or by their related persons or enterprises according to the legislation on accounting auditors.

iii. Annually, prior to the issue of the audit report, issuing a report stating an opinion regarding the independence of the statutory auditors. Said report must in all events contain an assessment of the provision of the additional services referred to in the preceding subparagraph, considered individually and in aggregate, other than the legal audit and in relation to the rules on independence or to the audit regulations.

Likewise, article 43 of the Board Regulations stipulates that:

1. The Board of Directors shall refrain from proposing the appointment or renewal of a firm of auditors when the fees paid by the Company for all of its services represent more than 5% of the annual income of that auditing firm, based on the average for the last five years.

2. The Board of Directors shall publicize the total fees that the Company has paid to the auditors, differentiating between fees for auditing company accounts and those paid for other services rendered. The Annual Report of company accounts must likewise include a breakdown of the fees paid to auditors, as well as those paid to any company belonging to the firm of auditor's corporate group or to any company sharing common property, management or control with the Company's auditors.

**C.1.36 Indicate whether during the financial year the company has changed external auditors. If so, specify the former and present auditors:**

NO

**In the event there were discrepancies with the former auditor, explain the nature of those discrepancies:**

**C.1.37. Indicate whether the auditing firm renders other non-auditing services to the Company and/or its corporate group and, if so, state the amount of fees paid for those services and the percent that this represents of the total fees invoiced to the Company and/or its group.**

YES

| | Company | Group | Total |
|---|---|---|---|
| **Amount paid for non-auditing services (Euros 000)** | 457 | 589 | 1,046 |
| **Amount paid for non-auditing services / Total amount invoiced by the auditing firm (%)** | 72% | 30% | 41% |

**C.1.38. Indicate whether the report on the audit of the annual accounts for the previous year contained any reservations or qualifications. If so, indicate the reasons provided by the chairman of the Audit Committee to explain the content and scope of those reservations or qualifications.**

NO

**C.1.39. Indicate the number of consecutive years that the present auditing firm has audited the annual accounts of the Company and/or its group. Likewise indicate the percent that the number of years with this auditing firm represents with respect to the total number of years that the annual accounts have actually been audited.**

| | Company | Group |
|---|---|---|
| **Number of consecutive years** | 25 | 24 |

| | Company | Group |
|---|---|---|
| **Number of years audited by the present** | 100.00 | 100.00 |

| | | |
|---|---|---|
| **auditing firm /<br>Number of years that the Company has been audited (%)** | | |

**C.1.40. Indicate whether there is a procedure for Directors to obtain outside counsel and, if so, describe that procedure.**

YES

| **Description of the Procedure** |
|---|
| Article 32 of the Board Regulations includes the following procedure:<br><br>In order to be assisted in the performance of his duties, any Director may request the engagement, at the expense of the Company, of legal, accounting, technical, commercial, financial, commercial and other expert advisors.<br><br>Such advice must necessarily relate to specific problems of a degree importance and complexity that arise in the discharge of the directors' duties.<br><br>The request to engage the advisor will be channelled through the Chairman, which may subject it to prior authorization of the Board of Directors for engagements with an amount above the cap established by the Board of Directors for a period of four (4) years, which may be denied when there are reasons so justifying.<br><br>Likewise it is established that the Delegated Commission and the Committees may seek outside advice when they deem it necessary for the fulfillment of their obligations. |

**C.1.41. Indicate whether there is a procedure for Directors to obtain the information they need in sufficient time to enable them to prepare for the meetings of the governing bodies and, if so, describe that procedure:**

YES

| **Description of the Procedure** |
|---|
| The Board Regulations of PRISA contain the following provisions:<br><br>A Director will have a duty to demand and right to receive, with the broadest authority, the information and advice needed regarding any aspect of the Company, provided that it is so required for the performance of the Director's functions. The right to information extends to subsidiary companies, whether domestic or foreign, and will be channelled through the Chairman, who will respond to the Director's requests, directly providing the information, offering the appropriate spokesman or marshalling such resources as may be necessary for the requested examination.<br><br>In addition the Chairman of the Board, with the assistance of the Secretary, will see to it that all Directors are provided with all documentation that is distributed at meetings of the Delegated Commission and the various other Committees.<br><br>The Chairman of the Board, with the assistance of the Secretary (who must take all necessary measures for the correct functioning of the Board), will ensure that the Directors are supplied with sufficient information in advance of board meetings.<br>Board of Directors meetings will be called at least 7 days in advance and the notice of the meeting will |

always set out the agenda. The Chairman will make sure that the Directors have the necessary information on the Company's activity and performance to adopt proposed resolutions set out on the agenda of each Board meeting.

Moreover, as pointed out in section C.1.20 of this Report, the Board of Directors has approved a Guide to Good Practice which constitutes a guide to internal conduct in matters of good governance and which makes a series of practices compulsory, including the sending of information to directors.

**C.1.42. Indicate whether the company has rules (and if so, describe those rules) compelling directors to inform and, if warranted, resign in circumstances that may damage the prestige and reputation of the company:**

YES

| **Description of the Procedure** |
| --- |
| As established in section 24.2. of the Rules of the Board of Directors, Directors must tender their resignation to the Board of Directors and, if the Board deems it to be appropriate, resign, in any circumstance that might harm the company's name or reputation and particularly in the following cases:<br><br>1) When they are subject to any of the circumstances of incompatibility or prohibition or grounds for removal contemplated by law.<br><br>2) When a director is indicted or tried for any of the offences stated in company legislation.<br><br>Notwithstanding the foregoing, Directors must to inform the board of any criminal charges brought against them and the progress of any subsequent trial.<br><br>3) When they are seriously admonished by the Board of Directors for violating their duties as Directors.<br><br>4) When the reasons for their appointment cease to exist or, in particular, an independent Director or a proprietary Director no longer qualifies as such.<br><br>5) When, in the course of one year, they fail to physically attend more than two (2) meetings of the Board of Directors, of the Delegated Commission or of the other Committees to which they belong, of which one necessarily must be of a Board meeting, without just cause in the judgment of the Board, the Delegated Commission or the other Committee to which they belong.<br><br>6) When their remaining on the Board, by reason of lack of suitability, on the terms described in article 38.4 this Regulation, may, directly, indirectly or through persons related thereto, put loyal and diligent exercise of their duties in accordance with the corporate interest at risk. |

**C.1.43. Indicate whether any member of the Board of Directors has informed the company that he has been prosecuted or that proceedings have been brought against him for any of the offenses listed in Article 213 of the Corporations Law:**

NO

**Indicate whether the Board of Directors has reviewed the case. If yes, explain the reasons underpinning the decision on whether or not the director should continue in**

**office or, if appropriate, detail the steps taken by the Board of Directors up to the date of this report or the steps it intends to take.**

## C.1.44. Detail the major agreements entered into by the company that come into force, are changed or terminate in the event that the control of the company changes as a result of a tender offer, and its effects.

i) Refinancing agreement signed by Prisa, HSBC Plc., as agent, and other financial institutions (Override Agreement), in December 2013:

The refinancing agreement includes grounds for acceleration, which include the acquisition of control of PRISA (understood as meaning the acquisition by one or more people acting in concert of more than 30% of the capital with voting rights).

ii) Financing agreement signed by Prisa and Wilmington Trust (London) Limited, as agent, and other financial institutions (New Money Facility Agreement) in December 2013:

The refinancing agreement includes grounds for acceleration, which include the acquisition of control of PRISA (understood as meaning the acquisition by one or more people acting in concert of more than 30% of the capital with voting rights).

## C.1.45. Identify, in aggregate terms, and indicate, in detail, the agreements between the company and its managers, executives or employees which provide for indemnification, safeguard or golden parachute clauses in the event of their resignation or unjustified dismissal, or in the event that the contractual relationship ends as a result of a tender offer or another type of transaction.

**Number of Beneficiaries:** 16

**Type of Beneficiaries:** 3 Consejeros Ejecutivos, 10 miembros de la Alta Dirección y 3 Directivos de Grupo PRISA que no forman parte de la Alta Dirección.

**Description of the agreement:**

<u>Retirement benefit for Executive Chairman</u>:

The contract signed with the Executive Chairman, Mr. Juan Luis Cebrián Echarri, which entered into effect on 1 January 2014, provides that for each of the years 2014, 2015, 2016, 2017 and 2018, he is entitled to an annual contribution of 1,200,000 euros, as retirement benefit. Mr. Cebrián, founder of El Pais, this year will turn 40 years of service to the Company.

The retirement benefit will be delivered to Mr. Cebrián upon conclusion of his contract, even though the director resigns of his own accord. In the event of early termination of his contract by the Company, Mr. Cebrián as indemnification will receive exclusively full settlement of the retirement benefit, which will not be compatible with any other kind of indemnification

<u>Indemnification for unjustified dismissal</u>:

i) The contracts of executive directors Mr Jose Luis Sainz Díaz and Mr Manuel Polanco Moreno and the contracts of 6 senior managers includes a special clause that provides, in general terms, an indemnification for unjustified dismissal in an amount that ranges from between one year and one and a half years of total remuneration (fixed salary plus, normally, the last bonus received).

And the commercial contract with two of those senior managers, in turn, provides that: i) the indemnification, alternatively, will be the greater of the following: the indemnification defined in the preceding paragraph or the one that would have been receivable for an ordinary employment relationship in the event of unjustified dismissal; and ii) in addition, the executive will receive compensation equivalent to the maximum unemployment benefit that applies at the time the contractual relationship is terminated.

ii) Furthermore, at December 31, 2015, three executives of Grupo PRISA (who are not considered part of the Senior Management) had a golden parachute.

Post-contractual noncompetition undertaking:

The contracts of executive directors Mr Jose Luis Sainz Díaz and Mr Manuel Polanco Moreno contain a 1-year post-contractual noncompetition agreement, with compensation equivalent to six months of the last gross fixed salary, payable in equal instalments over the term of the noncompetition agreement.

The contracts of 8 members of the senior management likewise provide for a post-contractual noncompetition agreement of between 6 months and 1 year, with compensation equivalent to 6 months or 1 year, as the case may have it, of the last gross fixed salary, payable in equal instalments over the term of the noncompetition agreement.

In addition, one executive not considered part of the senior management has a noncompetition agreement of 6 months with compensation equivalent to three months of his fixed salary.

**Indicate whether such contracts must be reported and/or approved by the governing bodies of the Company or Group:**

| | Board of Directors | Shareholders ’Meeting |
|---|---|---|
| **Body authorizing these clauses** | YES | NO |

| | |
|---|---|
| **Are the participants at the Shareholders ’Meeting informed of these clauses?** | YES |

## C.2. Committees of the Board of Directors

### C.2.1 List all of the Board committees, their members and the proportion of proprietary and independent directors on them:

**DELEGATED COMMITTEE**

| Name | Position | Classification |
|---|---|---|
| MR. JUAN LUIS | CHAIRMAN | EXECUTIVE DIRECTOR |

| | | |
|---|---|---|
| CEBRIÁN ECHARRI | | |
| MR. JOSE LUIS SAINZ DIAZ | MEMBER | EXECUTIVE DIRECTOR |
| MR. MANUEL POLANCO MORENO | MEMBER | EXECUTIVE DIRECTOR |
| MR. GREGORIO MARAÑON Y BERTRAN DE LIS | MEMBER | INDEPENDENT EXTERNAL DIRECTOR |
| MR. ALAIN MINC | MEMBER | INDEPENDENT EXTERNAL DIRECTOR |
| MR. ROBERTO LAZARO ALCANTARA ROJAS | MEMBER | EXTERNAL DIRECTOR REPRESENTING SIGNIFICANT SHAREHOLDINGS |

| | |
|---|---|
| **%** EXECUTIVE DIRECTORS | 50.00% |
| **%** EXTERNAL DIRECTOR REPRESENTING SIGNIFICANT SHAREHOLDINGS | 17.00% |
| **%** INDEPENDENT EXTERNAL DIRECTOR | 33.33% |
| % OTHER EXTERNAL | 0.00% |

**Describe the functions attributed to this committee, its rules of procedures organization and functioning, and summarize its most important actions during the year:**

The rules governing the organization and operations of the Delegated Committee that are described below are contained in article 17 of the Board of Directors Regulation:

The Delegated Commission will be comprised of at least a third of the Board members and a maximum of eight (8) Board members. The Delegated Commission will be chaired by the Chairman of the Board of Directors, provided that the Chairman has the status of executive Chairman in accordance with article 11.3 of this Regulation, or, if not, by the Chief Executive Officer. The appointment of the members of the Delegated Commission will be made on proposal of the Chairman of the Board of Directors, with the favourable vote of two thirds of the Directors.

The composition of the Delegated Commission must be with a majority of non-executive Directors.

The members of the Delegated Commission will leave office when they leave office as directors, or when so resolved by the Board of Directors.

The Secretary of the Board will act as Secretary of the Committee.

Without prejudice to the authority of the Chairman and the Chief Executive Officer, within the framework of the provisions of article 5 of this Regulation (Functions of the Board of Director), the Delegated Commission will be delegated all authority and competence of the Board that are susceptible of delegation by law, the Articles and the Regulations. As provided in said article, resolutions related to the following matters whose amount is not more than ten million (10,000,000) euros, may be adopted by the Delegated Commission in cases of urgency, duly justified, and must be ratified at the first Board meeting held after adoption of the resolution: i) approval of investments or transactions of any kind that by reason of their high amount or special characteristics are strategic or pose a special tax risk for the Company or the investee or controlled companies in question, unless approval thereof corresponds to the General Meeting, inter alia including the assumption of financial risks or making of derivative financial commitments, including but not limited to loans, credits, guarantees or other security and ii) approval of the creation or acquisition of interests in special purpose vehicles or entities resident in countries or territories considered to be tax havens, and any other transactions or operations of a comparable nature the complexity of which might impair the transparency of the Company or its Group.

The Delegated Commission will meet at least six (6) times each year and whenever it is in the interests of the Company in the judgment of the Chairman, which will call it sufficiently in advance, as well as when requested by two (2) or more of the members of the Delegated Commission.

A majority of the members, present in person or by proxy, will constitute a quorum for the transaction of business at meetings of the Delegated Commission. Members unable to attend may, on an exceptional basis, appoint another director who is a member of the committee to represent them.

Resolutions will be passed by an absolute majority of the members of the Delegated Commission present in person or by proxy.

When called by the Chairman of the Committee other Directors that are not members of the Committee may also attend its meetings, with voice but no vote, as may managers whose reports are necessary for the conduct of the business.

The Delegated Commission will prepare minutes of its meetings on the terms provided for the Board of Directors.

The Delegated Commission will report at the first full meeting of the Board subsequent to its meetings on its activities and will take responsibility for the work performed. The Board will always be apprised of the matters considered and decisions adopted by the Delegated Commission. All members of the Board will receive the information provided at meetings of the Delegated Commission, and copies of the minutes or pro formas thereof before the following meeting of the Board held subsequent to each meeting of the Delegated Commission.

The Delegated Commission may engage external advisors, when it feels this is necessary for the discharge of its duties.

The function performed by the Delegated Committee during 2015 primarily consisted in supervising the activities and results of the Company and of the Board of Directors.

## State whether the composition of the delegated or executive committee reflects the participation on the board of the various directors according to their category:

**NO**

| **If not, explain the composition of the delegated or executive committee** |
|---|
| In the Delegated Committee there is a predominance of executive directors (3 of the board members are classed as such), accompanied by one proprietary director and 2 independent directors.<br><br>The Board of Directors is composed of 3 executive directors, 5 proprietary directors, 6 independent directors and 1 external director. |

## AUDIT COMMITTEE

| Name | Position | Classification |
|---|---|---|
| MR. ALAIN MINC | CHAIRMAN | INDEPENDENT |

| | | |
|---|---|---|
| | | EXTERNAL DIRECTOR |
| MR. JOSE LUIS LEAL MALDONADO | MEMBER | INDEPENDENT EXTERNAL DIRECTOR |
| MR CLADIO BOADA PALLERES | MEMBER | OTHER EXTERNAL |

| | |
|---|---|
| **%External Directors representing significant shareholdings** | 00.00 |
| **%Independent Directors** | 67.00 |
| **%Other Directors** | 33.00 |

**Describe the functions attributed to this committee, its rules of procedures organization and functioning, and summarize its most important actions during the year:**

The rules of organization and functioning of the Audit Committee are set out in Article 25 of the Bylaws and in Article 27 of the Board of Directors Regulation.

The Audit Committee will be comprised of the number of Directors from time to time determined by the Board of Directors, with a minimum of three (3) and a maximum of five (5). All members of the Audit Committee will be non-executive Directors. At least two (2) of the members of the Committee will be independent, and at least one of them must be appointed taking account of his knowledge and experience in accounting, auditing or both.

The appointment and removal of Committee members will be carried out by the Board of Directors on proposal of the Chairman.

The members of the Committee will leave office when they leave office as Directors or when so resolved by the Board of Directors.

The Chairman of the Committee will be elected by the Board of Directors from among the members of the Committee that are independent Directors. The Chairman of the Committee must be replaced every four (4) years, and may be re-elected after one year elapses since he left office.

The Secretary of the Board of Directors will act as Secretary of the Committee. In his absence, the Deputy Secretary, if any, will act, or in his absence the member of the Committee that it designates.

The Audit Committee will have the competencies contained in the regulations applicable from time to time.
It will also be competence of the Audit Committee, to evaluate all aspects of the non-financial risks the company is exposed to, including operational, technological, legal, social, environmental, political and reputational risks.

The Audit Committee will establish and supervise a mechanism allowing communication to the Audit Committee of irregularities of potential significance, particularly financial and accounting irregularities, discovered within the company. In the case of reports from employees of the Company or its Group, this mechanism will provide for confidentiality and, if deemed to be appropriate, anonymity of the reports.

The Audit Committee will meet from time to time, as needed, but no less than four (4) times per year.

Any member of the management team or employee of the company is required to attend the meetings of the committee, whenever requested to do so, to collaborate with it and provide access to any information it may have. The Committee may also require that the statutory auditors attend its meetings.

The most important actions of the Audit Committee during 2015 are detailed in the annual report on this Committee's activities, which will be published when the 2016 Ordinary General Meeting is called, on the corporate website www.prisa.com.

**Identify the director member of the audit committee who has been appointed taking into account his or her knowledge and experience in accounting or audit matters or in both, and state the number of years the chairman of this committee has held said office.**

| | |
|---|---|
| **Name of director with experience** | DON ALAIN MINC |
| **Number of years chairman has served in that capacity** | **1** |

## NOMINATION AND COMPENSATION COMMITTEE

| Name | Position | Classification |
|---|---|---|
| MR. GREGORIO MARAÑÓN Y BERTRÁN DE LIS | CHAIRMAN | INDEPENDENT EXTERNAL DIRECTOR |
| MR. BORJA PEREZ ARAUNA | MEMBER | EXTERNAL DIRECTOR REPRESENTING SIGNIFICANT SHAREHOLDINGS |
| MR. ALAIN MINC | MEMBER | INDEPENDENT EXTERNAL DIRECTOR |
| MRS. AGNES NOGUERA BOREL | | EXTERNAL DIRECTOR REPRESENTING SIGNIFICANT SHAREHOLDINGS |

| | |
|---|---|
| **%External Directors representing significant shareholdings** | 50.00 |
| **%Independent Directors** | 50.00 |
| **%Other Directors** | 00.00 |

**Describe the functions attributed to this committee, its rules of procedures organization and functioning, and summarize its most important actions during the year:**

The rules of organization and functioning of the Nominations and Compensation are set out in Article 27 of the Bylaws and in Article 28 of the Board of Directors Regulation.

1. The Appointment and Remuneration Committee will be comprised of a minimum of three (3) and a maximum of five (5) non-executive Directors. At least two of the members of the Committee must be independent Directors.

2. The appointment and removal of Committee members will be carried out by the Board of Directors on proposal of the Chairman.

The Appointment and Remuneration Committee may require the attendance of the Company's Chief Executive Officer or any officer or employee at its meetings.

The members of the Appointment and Remuneration Committee will leave office when they leave office as directors or when so resolved by the Board of Directors.

The Chairman of the Committee will be elected by the Board of Directors from among those members of the Committee that are independent Directors.

The Secretary of the Board of Directors will act as Secretary of the Committee. In his absence, the Deputy Secretary, if any, will act, or in his absence the member of the Committee that it designates.

3. The Appointment and Remuneration Committee will have the following basic authority:

a) Regarding composition of the Board of Directors and the Board Committees of PRISA and the administration bodies of other companies in the Group:

i. Evaluating the skills, knowledge and experience required on the Board of Directors. For these purposes, it will define the functions and skills required of candidates that are to fill each vacancy and will evaluate the time and dedication necessary for them to be able to effectively perform their duties.

ii. Establishing a goal for representation of women on the Board of Directors, and developing guidance on how to achieve that goal.

iii. With a report from the Corporate Governance Committee, making proposals to the Board of Directors of independent Directors to be appointed by co-option or for submission to decision by the General Meeting of shareholders, and proposals for re-election or removal of those Directors by the General Meeting of shareholders.

iv. Reporting on proposals for the appointment of other Directors to be designated by co-option or for submission thereof to decision of the General Meeting of shareholders, as well as proposals for re-election or removal by the General Meeting of shareholders, or when there is just cause by reason of the Director's having breached the duties inherent in the position and the bringing of disciplinary proceedings that may mean removal of the Director.

v. Reporting, if applicable, on the proposed appointment of the individual representative of a Director that is a legal person.

vi. Proposing the classification of Directors in the executive, proprietary, independent or other external Director categories, when appointment of the Directors is to be made or ratified by the General Meeting on proposal of the Board.

vii. Reporting, together with the Corporate Governance Committee, on proposals for appointment of the Chairman and Deputy Chairman of the Board, the Chief Executive Officer, the Secretary and Deputy Secretary of the Board, the members of the Delegated Commission and the other Committees of the Board of Directors.

viii. Reporting, together with the Corporate Governance Committee, on a proposal for removal of the Secretary and Deputy Secretary of the Board.

ix. Reviewing and organising the succession of the Chairman of the Board of Directors and, if applicable, the chief executive of the Company, formulating the proposals to the Board of Directors considered to be appropriate, in order for that succession to occur in an orderly and well-planned manner.

x. Reporting on proposals for the appointment of the representatives of the Company on the administration bodies of its subsidiary companies.

b) Regarding the senior management of the Group:

i. Proposing the classification of senior management personnel.

ii. Reporting on proposals for appointment and removal of senior managers and the basic terms of their contracts.

iii. Receiving information and, if necessary, issuing reports on disciplinary action taken against senior managers of the Company.

c) Regarding the compensation policy:

i. Proposing to the Board of Directors, for submission to the General Shareholders Meeting, the compensation policy for Directors and general managers or those performing senior management functions under the direct supervision of the Board, Delegated Commissions or Chief Executive Officer, as well as the individual compensation and other contractual conditions of executive Directors, ensuring compliance therewith.

ii. Approving the objectives associated with variable compensation of executive Directors and/or the managers.

iii. Reporting to the Board on calculation of the variable compensation of the senior managers of the Company, as well as calculation of other incentive plans destined thereto.

iv. Ensuring compliance with the compensation policy established by the Company.

d) Other authority

i. Annually approving a report on the functioning of the Committee and proposing publication thereof to the Board of Directors, upon the holding of the General Shareholders Meeting.

ii. Exercising all other powers assigned to the Committee in this Regulation.

4. The Committee will meet whenever the Board of Directors of the Company or the Delegated Commission requests that it issue a report or approve proposals on matters within the scope of the Committee's responsibilities, and whenever the Committee Chairman deems appropriate for the proper discharge of the Committee's duties.

5. Any member of the management team or employee of the company is required to attend the meetings of the committee, whenever requested to do so, to collaborate with it and provide access to any information it may have.

The most important actions of the Nominations and Compensation Committee during 2015 are detailed in the annual report on this Committee's activities, which will be published when the 2016 Ordinary General Meeting is called, on the corporate website www.prisa.com.

## CORPORATE GOVERNANCE COMMITTEE

| Name | Position | Classification |
|---|---|---|
| MR. ERNESTO ZEDILLO | CHAIRMAN | INDEPENDENT EXTERNAL DIRECTOR |
| MRS ARIANNA HUFFINGTON | MEMBER | INDEPENDENT EXTERNAL DIRECTOR |
| MR JOSE LUIS LEAL | MEMBER | INDEPENDENT EXTERNAL DIRECTOR |
| MRS AGNES NOGUERA BOREL | MEMBER | EXTERNAL DIRECTOR REPRESENTING SIGNIFICANT SHAREHOLDINGS |

| | |
|---|---|
| **%External Directors representing significant shareholdings** | 25.00 |
| **%Independent Directors** | 75.00 |
| **%Other Directors** | 00.00 |

### Describe the functions attributed to this committee, its rules of procedures organization and functioning, and summarize its most important actions during the year:

The rules of organization and functioning of the Corporate Governance Committee are set out in Article 26 of the Bylaws and in Article 29 of the Board of Directors Regulation.

The Corporate Governance Committee will be comprised of a minimum of three (3) and a maximum of five (5) non-executive Directors. At least two (2) of them must be independent Directors.

The appointment and removal of Committee members will be carried out by the Board of Directors on proposal of the Chairman.

The members of the Corporate Governance Committee will leave office when they leave office as directors or when so resolved by the Board of Directors.

The Chairman of the Committee will be elected by the Board of Directors from among those members of the Committee that are independent.

The Secretary of the Board of Directors will act as Secretary of the Committee. In his absence, the Deputy Secretary, if any, will act, or in his absence the member of the Committee that it designates.

The Corporate Governance Committee will have the following basic authority:

a) Regarding composition of the Board of Directors and the Board Committees:

i. Reporting on proposals for the appointment of independent Directors.

ii. Proposing the appointment of the Coordinating Director to the Board.

iii. Annually reviewing the classification of the Directors in order to prepare the Annual Corporate Governance Report.

iv. Reporting, together with the Appointment and Remuneration Committee, on proposals for appointment of the Chairman and Deputy Chairman of the Board, the Chief Executive Officer, the Secretary and Deputy Secretary of the Board of Directors, and the members of the Delegated Commission and the other Committees of the Board of Directors.

v. Reporting, together with the Appointment and Remuneration Committee, on proposals for removal of the Secretary and Deputy Secretary of the Board of Directors.

vi. Presenting a report to the Board of Directors for evaluation of the functioning of the Board and its Committees, also presenting an action plan correcting the detected deficiencies, if any, as well as performance of their functions by the Chairman of the Board, which evaluation will be addressed to the Coordinating Director, and by the chief executive of the Company.

b) Regarding the corporate governance and corporate social responsibility strategy of the Company:

i. Promoting the Company's corporate governance strategy.

ii. Being apprised of, promoting, guiding and supervising the actions of the Company regarding corporate social responsibility and sustainability and corporate reputation and reporting thereon to the Board of Directors and the Delegated Commission, as applicable.

iii. Reporting and proposing to the Board of Directors the approval of the Annual Corporate Governance Report.

iv. Reporting and proposing to the Board of Directors the approval of the annual report on corporate social responsibility and, in general, issuing the reports and undertaking the actions that, regarding corporate social responsibility and sustainability, correspond thereto, and in addition, those required in accordance with the corporate governance of the Company or requested by the Board of Directors or its Chairman.

v. Monitor and evaluate the company’s interaction with its stakeholder groups.

c) Regarding the Company's internal rules:

i. Proposing approval of a Code of Conduct to the Board.

ii. Reporting on proposals for amendment of the Articles of Association, the Board Regulation, the Meeting Regulation, the Rules for the Functioning of the Electronic Shareholder Forum, the Internal Conduct Regulation, the Code of Conduct and any other governance rules of the Company.

iii. Examining compliance with the Board Regulation, the Internal Conduct Regulation and, in general, the company's governance rules, and making the proposals necessary for improvement.

d) Other authority:

i. Reviewing the regulatory compliance policy and proposing all measures necessary to strengthen it.

ii. Annually approving a report on the functioning of the Committee and proposing publication thereof to the Board of Directors, upon the holding of the General Shareholders Meeting.

iii. Exercising all other powers assigned to the Committee in this Regulation.

The Committee will meet whenever the Board of Directors of the Company or the Delegated Commission requests that it issue a report or approve proposals on matters within the scope of the Committee's responsibilities, and whenever the Committee Chairman deems appropriate for the proper discharge of the Committee's duties.

For the fulfilment of its duties, the Committee may request attendance at its meetings of any member of the management team or personnel of the Company, and any worker of the Company or any of its subsidiaries, and will have access to all corporate information.

The most important actions of the Corporate Governance Committee during 2015 are detailed in the annual report on this Committee's activities, which will be published when the 2016 Ordinary General Meeting is called, on the corporate website www.prisa.com.

## COMMITTEE FOR STRATEGIC DIGITAL CHANGE

| Name | Position | Classification |
|---|---|---|
| MR. JUAN LUIS CEBRIÁN ECHARRI | MEMBER | EXECUTIVE DIRECTOR |
| MR. JOSE LUIS SAINZ DIAZ | MEMBER | EXECUTIVE DIRECTOR |
| MR JOHN PATON | CHAIRMAN | INDEPENDENT EXTERNAL DIRECTOR |

| | |
|---|---|
| **%External Directors representing significant shareholdings** | 00.00 |
| **%Independent Directors** | 33.33 |
| **%Other Directors** | 00.00 |

### Describe the functions attributed to this committee, its rules of procedures organization and functioning, and summarize its most important actions during the year:

The rules of organization and functioning of the Committee for Strategic Digital Change are set out in Article 30 of the Board of Directors Regulation.

The Committee for Strategic Digital Change will be comprised of a minimum of three (3) and a maximum of five (5) Directors. At least two (2) of them must be independent Directors.

The appointment and removal of Committee members will be carried out by the Board of Directors on proposal of the Chairman.

The members of the Committee for Strategic Digital Change will leave office when they leave office as directors or when so resolved by the Board of Directors.

The Chairman of the Committee will be elected by the Board of Directors from among those members of the Committee that are independent.

The Deputy Secretary of the Board, if any, will act as Secretary of the Committee. In his absence, the Secretary of the Board of Directors and, in the absence of the Secretary, the member of the Committee designated by it will so act.

The Committee for Strategic Digital Change will have the following basic authority:

i. Being apprised of, promoting, guiding and supervising the actions of the Company regarding innovation, digital transformation and reporting thereon to the Board of Directors.

ii. Proposing a coordinated strategy for digital transformation of the Company and its various Business Units, and for evaluation of its impact on present or future business.

iii. Advising the Board of Directors in relation to innovation, technology developments and adaptation to new realities.

iv. Advising the Board of Directors in the preparation of a Strategic Plan for digital transformation and supervising implementation of that Strategic Plan.

v. Periodically reviewing the Strategic Plan for digital transformation and proposing amendment and updating thereof to the Board of Directors.

vi. Seeing to achievement of the milestones fixed in the Strategic Plan for digital transformation and evaluating implementation thereof by the Company and its business units.

vii. Advising the Board of Directors regarding any digital initiatives existing in the market that may be beneficial for the Company.

viii. Evaluating the business opportunities and initiatives presented to the Company in the digital and technological transformation area.

ix. Evaluating, analyzing and reporting to the Board of Directors on investment transactions in the digital transformation area.

x. Analyzing the various measurement and observation tools launched at the national and international level regarding digital transformation and providing recommendations for improvement of the positioning of the Company and its group of companies.

xi. Annually approving a report on the functioning of the Committee and proposing publication thereof to the Board of Directors, upon the holding of the General Shareholders Meeting.

The Committee will meet periodically based on needs and whenever the Board of Directors of the Company or the Delegated Commission requests that it issue a report or approve proposals on matters within the scope of the Committee's responsibilities, and whenever the Committee Chairman deems appropriate for the proper discharge of the Committee's duties.

For the fulfilment of its duties, the Committee may request attendance at its meetings of any member of the management team or personnel of the Company, and any worker of the Company or any of its subsidiaries, and will have access to all corporate information.

The most important actions of the Committee for Strategic Technologic Change during 2015 are detailed in the annual report on this Committee's activities, which will be published when the 2016 Ordinary General Meeting is called, on the corporate website www.prisa.com.

## C.2.2 Complete the following table with information on the number of female directors who have sat on Board committees during the previous four years:

| | **Number of female directors** | | | |
|---|---|---|---|---|
| | **Year 2015 Number %** | **Year 2014 Number %** | **Year 2013 Number %** | **Year 2012 Number %** |
| **Delegated Committee** | 0 (00.00) | 0 (00.00) | 0 (00.00) | 0 (00.00) |
| **Audit Committee** | 0 (00.00) | 0 (00.00) | 1 (25.00) | 1 (25.00) |

| | | | | |
|---|---|---|---|---|
| **Nomination and Compensation Committee** | 1 (25.00) | 1 (25.00) | 0 (00.00) | 0 (00.00) |
| **Corporate Governance Committee** | 2 (50.00) | 2 (50.00) | 2 (50.00) | 2 (50.00) |
| **Committee for Strategic Digital Change** | 0 (00.00) | 0 (00.00) | 0 (00.00) | 0 (00.00) |

### C.2.3 Section repealed

### C.2.4 Section repealed

### C.2.5. Indicate, if applicable, whether there are board committee regulations, and if so, where they are available for consultation and any amendments made to them during the financial year. Likewise indicate whether any non-mandatory annual reports are issued concerning the activities of each committee:

As already pointed out in section C.2.1 above, the functioning, powers and composition of the Delegated Committee, Audit Committee, Nomination and Compensation Committee, Corporate Governance Committee are regulated by the Bylaws and by the Board Regulations. The Committee for Strategic Digital Change is regulated by the Board Regulations.

The Bylaws and the Board Regulations are available on the Company's website (www.prisa.com). As already stated in section C.1.18 of this Report, during the early months of 2015 the Company carried out a review of its internal rules, for the following purposes: i) to adapt those rules to the provisions of Law 31/2014 of December 3, 2014 amending the Corporations Law to improve corporate governance, ii) align them with the internal situation of the Company and with its customary corporate governance practices and iii) make technical improvements. The review led to amendments of the Bylaws and of the Board of Directors Regulation and, inter alia, the articles regulating Board Committees (see Material Disclosures no 221556 and 220259 of April 20 and March 18, 2015).

The Board of Directors Regulation was likewise amended in December 2015 to address certain questions provided for in recommendations 22, 34 and 53 of the CNMV Good Governance Code; specifically, articles 27 and 29 regulating the Audit Committee and the Corporate Governance Committee, respectively, were amended (see Material Disclosure no 232735 de 18 December 2015).

In 2015 the Audit, Nomination and Compensation, Corporate Governance Committees and the Committee for Strategic Digital Change published reports on their functions and activity during 2014. Those reports were made available to the shareholders when the ordinary general meeting of April 2015 was called and are posted on the Company's website (see Material Disclosure no 220259 of March 18, 2015).

Those committees will again issue reports on their functions and activities during 2015, which will likewise be made available to the shareholders.

### C.2.6 Section repealed

## D. RELATED-PARTY TRANSACTIONS AND INTRAGROUP TRANSACTIONS

### D.1 Identify the competent body and explain, if appropriate, the procedure for approving related-party transactions or intra-group transactions.

| Procedure for reporting the approval of related-party transactions |
|---|
| The Board of Directors Regulation provides that is a non delegable function of the Board of directors the approval, after a report from the Audit Committee, of related party transactions, being required that the innocuousness of the authorized transaction from the point of view of the corporate assets be guaranteed or, if applicable, that it be undertaken on market terms in a transparent process.<br><br>Directors that are affected by a related party transaction, in addition to not voting, will leave the meeting room while these matters are debated and voted upon.<br><br>Transactions with Directors (article 38 of the Board of Directors Regulation):<br><br>Authorization of the Board of Directors will not be necessary for those director´s transactions that simultaneously satisfy the following three conditions:<br><br>a) They are governed by standard form agreements applied on an across-the-board basis to a large number of customers;<br><br>b) They are entered into at market prices or rates, generally set by the person supplying the goods or services;<br><br>c) The amount is no more than 1% of the Company's annual revenue.<br><br>Transactions with Significant Shareholders (article 39 of the Board of Directors Regulation):<br><br>The Board of Directors formally reserves the right to be apprised of any transaction of the Company or any of its subsidiaries with a significant shareholder or with persons related thereto, as provided in article 5 of this Regulation. The affected Directors, or those representing or related to the affected shareholders, must refrain from participating in deliberation and voting on the resolution in question.<br><br>Under no circumstances will any such transaction be authorized before a report has been issued by the Audit Committee evaluating the transaction in the light of market conditions.<br><br>However, authorization of the Board of Directors will not be deemed to be required in those transactions that simultaneously satisfy the following conditions:<br><br>a) They are governed by standard form agreements applied on an across-the-board basis to a large number of customers;<br><br>b) They are entered into at market prices or rates, generally set by the person supplying the goods or services;<br><br>c) The amount is no more than 1% of the Company's annual revenue.<br><br>The Company discloses related-party transactions in accordance with the relevant legal provisions. Likewise, art. 40 of the Board Regulations provides that in its annual public information the Board of Directors shall include a summary of Company transactions with its directors and significant shareholders. This information shall reflect the overall volume of transactions and the nature of the most relevant ones. |

**D.2. Give details of transactions of a significant nature on account of the sums involved or material transactions on account of the subject-matter involved carried out between the company or entities of its group and the significant shareholders of the company:**

| Significant Shareholder's Name | Name of the Company or Entity in the Group | Nature of the Relationship | Type of Transaction | Amount (Euros 000) |
|---|---|---|---|---|
| TELEFÓNICA, S.A. | GRUPO PRISA | Commercial | Rendering of services | 6,153 |
| CAIXABANK, S.A. | GRUPO PRISA | Commercial | Rendering of services | 2,222 |
| BANCO SANTANDER, S.A. | GRUPO PRISA | Commercial | Rendering of services | 3,409 |
| RUCANDIO, S.A. | GRUPO PRISA | Commercial | Rendering of services | 37 |
| TELEFÓNICA, S.A. | GRUPO PRISA | Commercial | Reception of services | 11,230 |
| BANCO SANTANDER, S.A. | PROMOTORA DE INFORMACIONES, S.A. | Commercial | Reception of services | 1,854 |
| HSBC HOLDINGS, PLC | PROMOTORA DE INFORMACIONES, S.A. | Commercial | Reception of services | 1,757 |
| BANCO SANTANDER, S.A. | PROMOTORA DE INFORMACIONES, S.A. | Contractual | Financing Agreements: Loans | 9,629 |
| BANCO SANTANDER, S.A. | GRUPO SANTILLANA DE EDUCACION GLOBAL, S.L. | Contractual | Financing Agreements: Loans | 5,511 |
| BANCO SANTANDER, S.A. | MEDIA GLOBAL, SGPS | Contractual | Financing Agreements: Loans | 17,500 |
| BANCO SANTANDER, S.A. | ANTENA 3 DE RADIO, S.A. | Contractual | Financing Agreements: Loans | 7,948 |
| CAIXABANK, S.A. | PROMOTORA DE INFORMACIONES, S.A. | Contractual | Financing Agreements: Loans | 67,232 |
| HSBC HOLDINGS, PLC | PROMOTORA DE INFORMACIONES, S.A. | Contractual | Financing Agreements: Loans | 542,775 |
| BANCO SANTANDER, S.A. | GRUPO PRISA | Contractual | Warranties | 685 |
| CAIXABANK, S.A. | PROMOTORA DE INFORMACIONES, S.A. | Contractual | Warranties | 250 |
| BANCO SANTANDER, S.A. | GRUPO PRISA | Contractual | Interest paid | 1,085 |
| BANCO SANTANDER, S.A. | GRUPO PRISA | Contractual | Interest accrued but not paid | 249 |
| CAIXABANK, S.A. | PROMOTORA DE INFORMACIONES, S.A. | Contractual | Interest paid | 1,255 |
| CAIXABANK, S.A. | PROMOTORA DE INFORMACIONES, S.A. | Contractual | Interest accrued but not paid | 269 |
| HSBC HOLDINGS, PLC | PROMOTORA DE INFORMACIONES, S.A. | Contractual | Interest paid | 14,757 |
| HSBC HOLDINGS, PLC | PROMOTORA DE INFORMACIONES, S.A. | Contractual | Interest accrued but not paid | 847 |
| TELEFÓNICA, S.A. | GRUPO PRISA | Contractual | Other | 1,160 |
| INTERNATIONAL MEDIA GROUP, S.A.R.L | PROMOTORA DE INFORMACIONES, S.A. | Corporate | Contributions of capital in cash or in kind | 64,000 |

**D.3 Give details of transactions of a significant nature on account of the sums involved or material transactions on account of the subject-matter involved carried out between the company or entities of its group and the company's directors or executives:**

| Manager’s or Director’s Name | Name of the Company or Entity in the Group | Relationship | Nature of the Relationship | Amount (Euros 000) |
|---|---|---|---|---|
| GREGORIO MARAÑÓN Y BERTRÁN DE LIS | PROMOTORA DE INFORMACIONES, S.A. | PROVISION OF SERVICES | Contractual | 90 |

**D.4 Provide information on significant transactions carried out by the company with other entities of the same group, where such transactions are not eliminated in the process of preparing the consolidated financial statements and do not fall within the usual course of the company's business, as regards their subject-matter or terms and conditions.**

**In all cases, information must be provided on any intra-group transactions carried out between entities established in countries or territories regarded as tax havens:**

| Name of the Group Entity | Brief Description of the Transaction | Amount (Euros 000) |
|---|---|---|
| LE MONDE LIBRE | LOAN GRANTED BY PRISA NOTICIAS, S.L. TO LE MONDE LIBRE SOCIETÉ COMANDITÉ SIMPLE. | 9,071 |
| SOCIEDAD ESPAÑOLA DE RADIODIFUSION, S.L. | DIVIDENDS PAID BY SISTEMAS RADIOPOLIS, S.A. DE CV TO ITS SHAREHOLDER SOCIEDAD ESPAÑOLA DE RADIODIFUSION, S.L. | 2,240 |
| SOCIEDAD ESPAÑOLA DE RADIODIFUSION, S.L. | LOANS GRANTED BY SOCIEDAD ESPAÑOLA DE RADIODIFUSION, S.L. TO THE COMPANIES IN WHICH IT HOLDS HOLDINGS, W3COMM CONCESIONARIA, S.A. DE CV AND GREEN EMERALD BUSINESS INC. | 1,816 |
| PRISA RADIO, S.A. | INCOME RECEIVED BY PRISA RADIO, S.A FOR THE PROVISION OF TECHNICAL ASSISTANCE AND ADVISORY SERVICES TO SISTEMAS RADIOPOLIS, S.A. DE CV | 1,216 |
| EDICIONES EL PAÍS, S.L. | INCOME RECEIVED BY EDICIONES EL PAÍS, S.L. FOR THE SALE OF COPIES TO KIOSKOYMÁS, SOCIEDAD GESTORA DE LA PLATAFORMA TECNOLÓGICA, SL | 413 |
| PRISA NOTICIAS, S.L | THE FINANCIAL EXPENSE RECORDED BY PRISA NOTICIAS, S.L. DUE TO THE DETERIORATION OF THE LOAN MADE TO LE MONDE LIBRE SOCIETE COMANDITÉ SIMPLE | 1,244 |

**D.5 State the amount involved in related-party transactions.**

**0**

## D.6. Describe the mechanisms in place to detect, determine and resolve possible conflicts of interest between the Company and/or its group and its directors, managers and significant shareholders.

1. The Board of Directors Regulation provides the following:

"Article 37 (Duty of Loyalty): Directors must fulfil their duties with the loyalty of a faithful representative, acting in good faith in the Company's best interests. In particular they must …c) Refrain from participating in deliberation and voting on resolutions or decisions in which the Director or a related person has a conflict of interest, direct or indirect. Excluded from this prohibition are the resolutions or decisions that affect the Director in its status as such, such as the Director's appointment or removal from positions on the Board of Directors or others of a comparable kind.

In particular, Directors that are affected by a related party transaction, in addition to not voting, will leave the meeting room while these matters are debated and voted upon."

"Article 38 (Conflicts of Interest and Transactions with Directors): Directors must adopt the necessary measures to avoid situations in which their interests, on their own behalf or on behalf of another, can be in conflict with the Company's interests and their duties to it.

This does not apply to circumstances in which the Company has consented on the terms contemplated in section 5 of this Article.

The Directors will report any situations involving any direct or indirect conflict that they, or any person related thereto, may have with the interests of the Company. In particular, they must report those situations that may result in the existence of conflicts of interest, as provided in chapter V of the "Internal Conduct Regulation for Matters Related to the Securities Markets of Promotora de Informaciones, S.A. and its Group of Companies".

In particular, Directors, must refrain from:

a) Entering into transactions with the Company, except in the case of ordinary transactions, on standard terms for customers and of little relevance, on the legally contemplated terms.

b) Using the name of the Company or invoking status as a Director to unduly influence private transactions.

c) Using corporate assets, including the confidential information of the Company, for private purposes.

d) Appropriating the business opportunities of the Company.

e) Obtaining benefits or compensation from third parties, other than the Company and its Group related to the performance of the Director's duties, except in the case of mere courtesies.

f) Engaging in activities on its own behalf or on behalf of others that involve effective competition, whether actual or potential, with the Company or that in any other way place it in permanent conflict with the interests of the Company. This does not apply to such positions as they may hold in companies having stable significant shareholdings in the Company.

The restrictions set forth above are also applicable if the beneficiary of the situations or activites forbidden is a Director´s related person.

Notwithstanding the foregoing, in those cases in which the conflict of interest is or may reasonably be expected to be of such nature that it constitutes a structural and permanent conflict between the Director (or a person related thereto or, in the case of a proprietary Director, the shareholder or shareholders that proposed or made the appointment or the persons directly or indirectly related thereto) and the Company or the companies in its

Group, the Director will be deemed to be or have become unsuitable for exercise of the position for purposes of the provisions of article 24 of this Regulation.

The General Meeting of the Company may release a Director or related person from the prohibition on obtaining a benefit or compensation from third parties, or those transactions the value of which is greater than ten percent (10%) of the company's assets. The obligation not to compete with the Company may only be waived if no damage to the Company is to be expected, or it is expected that it would be compensated for the benefits expected to be obtained from the waiver. The waiver will be granted by way of express and separate resolution of the General Meeting.

In other cases that affect the prohibitions contained in this article, the authorization also may be granted by the Board of Directors, provided that the independence of the members granting it is assured, as regards the Director granted the waiver. In addition, it will be required that the innocuousness of the authorized transaction from the point of view of the corporate assets be guaranteed or, if applicable, that it be undertaken on market terms in a transparent process.

Without prejudice to the foregoing, authorization of the Board of Directors will not be necessary for those related party transactions that simultaneously satisfy the following three conditions:

d) They are governed by standard form agreements applied on an across-the-board basis to a large number of customers;

e) They are entered into at market prices or rates, generally set by the person supplying the goods or services;

f) The amount is no more than 1% of the Company's annual revenue."

"Article 39(Transactions with Significant Shareholders): Without prejudice to the provisions of the preceding article, the Board of Directors formally reserves the right to be apprised of any transaction of the Company or any of its subsidiaries with a significant shareholder or with persons related thereto, as provided in article 5 of this Regulation. The affected Directors, or those representing or related to the affected shareholders, must refrain from participating in deliberation and voting on the resolution in question.

Under no circumstances will any such transaction be authorized before a report has been issued by the Audit Committee evaluating the transaction in the light of market conditions.

However, authorization of the Board of Directors will not be deemed to be required in those transactions that simultaneously satisfy the conditions set forth in article 38.5 above."

2. The Internal Conduct Regulation for Matters Related to the Securities Markets of Promotora de Informaciones, S.A. and its Group of Companies" (RIC), states the following regarding conflicts of interest:

i. Persons obliged to do so by the Internal Code of Conduct must report to the Compliance Unit (a body whose constitution is pending and whose functions are temporarily assumed by the General Secretary) any situations that may involve the existence of conflicts of interest at the earliest opportunity.

ii. For this purpose any situations connected with their activities outside GRUPO PRISA or those of related parties which may imply the existence of interests contradictory to those of GRUPO PRISA, regarding a particular activity, service or operation with financial intermediaries, professional investors, suppliers, customers or competitors must be reported.

iii. Individuals affected by a conflict of interest must abstain from making, intervening in or influencing decisions involving such activities, services or operations.

iv. Transactions between the Company or any of the companies in GRUPO PRISA and any of the persons subject to rules governing conflict of interest must be conducted in accordance with market conditions and in compliance with any other regulations the Board of Directors may establish in connection with the foregoing.

3. Furthermore, the Code of Ethics of Grupo PRISA (approved by the Board of Directors in December 2015 and which replaces the Code of Conduct that had been in force since December 2011), which applies to directors, amongst others, underscores the duty to avoid situations that could give rise to conflict between private interests and those of the company and requires that such situations be disclosed to the Company.

### D.7 Are more than one of the group companies listed in Spain?

NO

**Specify the subsidiary companies that are listed:**

**Indicate whether the areas of activity they engage in and any business dealings between them, and between the listed subsidiary and other group companies, have been publicly and precisely defined;**

| **Define any business dealings between the parent company and the listed subsidiary, and between the listed subsidiary and other group companies** |
| --- |
| |

**Identify the mechanisms envisaged for the resolution of potential conflicts of interest between the listed subsidiary and other group companies:**

| **Mechanisms for the resolution of any conflicts of interest** |
| --- |
| |

## E. CONTROL AND RISK MANAGEMENT SYSTEMS

### E.1 Explain the scope of the Risk Management System of the company, including those of a tax nature.

| |
| --- |
| The Risk Management System functions in an integrated way by business unit and the management of it is consolidated at corporate level.<br><br>The Group continuously monitors the most significant risks, including tax risks, that could affect the business units. To do so it has a risk map which it uses as a tool for representing the risks inherent in the Group in graphic form, in order to identify and assess the risks that may affect the performance of the activities of the different business units. |

### E.2 Identify the bodies of the company with responsibility for drawing up and implementing the Risk Management System, including tax risks.

| |
| --- |
| The identification of the risks and the operating processes in which each of the risks considered is managed |

is the responsibility of the general directorates of the business units and the corporate general directorate and is aggregated and homogenized by the Group's Internal Audit Department, which reports the results regularly to the Audit Committee. The respective business unit directorates identify both the people responsible for managing each risk and the associated action plans and controls.

## E.3 Indicate the main risks, including tax risks, that may affect achievement of the business goals.

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 2015, 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 and 2015. 2016 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, or recession in economies as Brazil.

The Group's results in Latin America have been hurt by the weakness of the region's currencies. An increase in the volatility of currencies was shown in the second half of 2015.

Maintenance of exchange rates at current levels or even further deterioration could have an adverse effect on operating results and financial condition of the Group.

*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.

*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.

In the specific case of Education, a relevant part of its revenues in Latam come from public sales to Governments. Sales of the business could be affected as far as macroeconomic parameters worsen or there are changes in educational policies.

*Litigation risks*-

Prisa is involved in significant litigations, which are described in note 26. Additionally, Prisa is exposed to liabilities for the content of their publications and programs.

*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 12b *"Financial Liabilities"* of the accompanying notes to the consolidated financial statements of Prisa for 2015.

As is described in that note, in the month of December of 2013 the Group signed a debt refinancing agreement.

In 2014 and 2015, the company paid off a total of EUR 1,610,590 thousand using the proceeds from the sale of Mediaset España, DTS and the increase in capital subscribed by Consorcio Transportista Occher, S.A. de

C.V. These operations allowed the Group to fulfill in advance commitments of debt reduction included in the refinancing agreement at 31 December 2015, in such a way that the next relevant financial commitment is to fall due in 2018, when Tranche 2 falls due.

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 December 31, 2015, the level of the Group bank debt (EUR 2,009 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 foreseen in the refinancing agreement 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 and the process to convert debt into the participating loan was carried out on 15 September 2014, in the amount of EUR 506,834 thousand, which 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 31 December 2015 the equity of the Company with this respect stood at EUR 166,886 thousand, which were over two thirds of share capital.

Additional losses to be registered by the Parent Company could result again in an equity imbalance situation.

*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.

Prisa has registered the sale of DTS for an amount of 724,554 thousand euros. At the date of preparation of these consolidated financial statements, an adjustment pending of resolution by an independent third party could reduce DTS sale price by EUR 29,173 thousand. Therefore, depending of the final resolution of this adjustment, the final result of the sale agreement could be modified.

*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. However, as of December 31, 2015, the Group still maintains a bank debt level of EUR 2,009 million.

*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 57.63% of its bank borrowings terms are at variable interest rates, and therefore the Group is exposed to fluctuations in interest rates. Interest rate hedges expired at December 31, 2015 and the Group did not arrange new hedges.

*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, as far as this situation occurred in the past.

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.

## E.4 State whether the entity has a risk tolerance level, including for tax risks.

Prisa has defined the tolerable error in respect of risks associated with the financial information. By reference to this tolerance level the company identifies the significant processes and accounts in the system for controlling the financial information.

As far as other risks are concerned, the impact and probability of them occurring is assessed in order to determine their relative position on the risk maps of the Group and the business units. This assessment is carried out by the Group's senior management.

### E.5 State which risks, including tax risks, have materialized during the year.

In the 2015 financial year Prisa's activities and investments in Latin American were affected by the slowing down of the growth rate in some countries, as well as by the volatility in exchange rates. The Group's results in Latin America were negatively affected by the weakness of exchange rates in the region (principally in Brazil and Venezuela). The negative impact of the exchange rate trend on the Group's income amounted to 38.8 million euros in the 2015 financial year.

### E.6 Explain the response and supervision plans for the entity's main risks, including tax risks.

The Group continuously monitors its investments and carries out an impairment test on them at least annually or, if appropriate, when there are signs of impairment.

In terms of exchange rate risk, to the extent that it has credit lines available, the Group adopts the practice of entering into currency hedges, forwards and options, based on its monthly forecasts and budgets. The main aim of this is to reduce cash flow volatility in the subsidiaries operating abroad.

## F. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS IN CONNECTION WITH THE FINANCIAL REPORTING PROCESS (ICFR)

**Describe the mechanisms making up the control and risk management systems in connection with the financial reporting process (ICoFR) of your entity.**

### F.1 Entity control environment

**Indicate the following, detailing at least their main features:**

**F.1.1. What bodies and/or functions are responsible for: (i) the existence and maintenance of an adequate and effective ICoFR; (ii) its implementation; and (iii) its supervision.**

The company’s approach regarding the internal control over financial reporting (hereinafter ICoFR), which was initially deployed according Internal Control Framework issued by COSO in 1992, was adapted during 2014 to the revised COSO Framework issued in 2013. In this regard, the Group will continue improving its ICFR system in conformity with this new Integrated Internal Control Framework.

The Board of Directors of Prisa , among other functions, as set out in Article 5.2 of Board Regulations, are responsible for the definition of the policy of control and risk management (included those related to the tax regulation) and for the monitoring of internal information and control systems. Also, in accordance with the provisions of the mentioned article of the Board Regulations, the financial information, that Prisa, as listed company, had the obligation to periodically make public, must be approved by the Board of Directors. In this regard, the Board of Directors is assisted, for the development of these functions, by the Audit Committee of Prisa. Among the basic responsibilities of the Audit Committee, as defined in the Board Regulations , are the monitoring of the effectiveness of Group’s internal control and risk management systems, and the preparation and presentation of the regulated financial information, in particular the Financial Statements that the Board must provide quarterly and annually to the markets and their supervisory bodies.

The effective implementation of internal control model is the responsibility of the CEO and the CFO of Prisa, as well as the CEOs and CFOs of the Group's business units involved in the preparation of financial information which forms the basis for the preparation of Group’s Financial Statements.

The monitoring of ICoFR, is performed both by the Audit Committee and the Board of Prisa, with the Internal Audit function support.

### F.1.2. With particular reference to the process for preparing financial information, which of the following elements are in place:

**•Departments and/or mechanisms responsible for: (i) design and review of the organizational structure; (ii) clearly defining lines of responsibility and authority, with an adequate distribution of tasks and duties; and (iii) ensuring there are adequate procedures for their correct dissemination within the entity.**

The Direction of Organization and Human Resources, under the CEO, is responsible for the design, implementation, review and updating of the Group's organizational structure. The Group's business units have a distribution and definition of tasks and functions in the financial areas, which have job descriptions for key roles in these areas, as well as clearly defined lines of responsibility and authority in the preparation process of the financial reporting.

In addition, the Direction of Organization and Human Resources coordinates and monitors the internal procedures of the Group companies, and its degree of documentation, updating and circulation.

**•Code of conduct: approval body, degree of communication and instruction, principles and values included (indicated whether specific mention is made of the recording of operations and the preparation of financial information), the body responsible for analysing non-compliance and proposing corrective actions and sanctions.**

The Code of Conduct of the Group, approved in fiscal year 2011 by the Board of Directors, and effective to December 2015, established the general guidelines that should govern the conduct of Prisa and all Group employees in the performance of their duties and in their commercial and professional relationships, acting in accordance with each country laws, and respectfully towards the commonly recognized ethical principles.

In December 2015 the PRISA Board of Directors approved a new Code of Conduct, henceforth called the Code of Ethics, setting out the principles and standards of conduct that should govern the companies in Grupo

PRISA and all their employees, aimed at ensuring ethical and responsible behavior in the pursuit of their activities.

The PRISA Compliance Office reports functionally and administratively to the Audit Committee and is the body charged with safeguarding and promoting ethical behavior of employees, associates and members of Grupo PRISA, and, therefore, amongst other functions, with overseeing their compliance with the Code of Ethics.

The Compliance Office must report incidents relating to the Code of Ethics to the Corporate Governance Committee so that the latter can examine compliance with the Group's rules of governance.

The Compliance Office promotes internal communication with officers and employees to ensure they know the compliance policy and obligations in this respect and organizes refresher courses for them on compliance matters.

The Code of Ethics approved in December 2015, the same as the one in force previously, has been communicated and disseminated to all employees of the Group to whom it applies. Also, the PRISA Communication Department has implemented an internal and external communication plan for the Code, supervised by the PRISA Compliance Office, and the associated training plan.

The Code of Ethics is posted on the corporate website (www.prisa.com) and in Grupo PRISA's global intranet (Toyoutome).

The Code of Ethics sets out a series of standards of conduct based on the following principles:

i. Commitment to respect human rights and liberties.
ii. Promotion of career development, equal opportunity, non-discrimination due to personal, physical or social conditions, and respect for persons.
iii. Occupational safety and health.
iv. Environmental protection.

Specifically, in relation to financial reporting, Grupo PRISA considers transparency in financial information as a basic principle that must govern its actions and, therefore, establishes rules of conduct aimed at ensuring that all information, be it internal information or the information reported to the markets, to the regulators of those markets or to government authorities, be truthful and complete and adequately reflects, amongst other aspects, its financial situation and the results of its operations, and be reported on a timely basis and in accordance with the applicable standards and general principles governing markets and their proper governance that Grupo PRISA has endorsed.

Rules of conduct are also established aimed to guarantee that all transactions are timely recorded in the Group's systems, in keeping with the principles of existence, completeness, clarity and accuracy in the Group's systems and financial statements, in accordance with the applicable accounting standards.

### •Whistle-blowing channel for communicating irregularities of a financial and accounting nature to the Audit Committee, as well as any failures to comply with the code of conduct and irregular activities in the organization, indicating whether it is confidential in nature.

The Group has a Whistle-blowing mailbox for the reception and treatment of complaints regarding wrongdoings or breaches related to both, internal and external regulations, in matters affecting the Group, its employees or its activities. In fiscal year 2015 the nature of the complaints this channel was designed for has been widened, in comparison to the original, which was exclusively referred to accounting and internal control matters, to the current one described above.

This is a confidential and anonymous communication channel available to any employee in the Group intranet or alternatively through a post office box laid out for this purpose. The received complaints are currently managed by Prisa Compliance Unit, who reports them to the Audit Committee. Additionally, there is a confidential Whistle-blowing mailbox for third parties related to the Group and accessible through corporate website www.prisa.com.

**•Training and regular updating programmes for the personnel involved in the preparation and review of financial information, as well as assessment of the ICoFR, dealing at least with accounting standards, audit, internal control and risk management.**

The Group employees with new ICoFR coordination or execution responsibilities formally assigned during the fiscal year, around 45 people, have received a training curse on internal control including the description of the Group ICoFR model.

Additionally, the personnel with financial reporting responsibilities in the business units and main Group companies are regularly kept informed through newsletters regarding accounting standard developments.

## F.2 Assessment of financial reporting risks

**Inform at least on the following:**

### F.2.1. What are the main features of the risks identification process? Include risks of error and fraud, indicating:

**•Whether the process exists and is documented.**

The system stablished in the Group for financial reporting risks identification and assessment is formally documented and updated at least once a year.

In the Group financial reporting risks assessment it is applied a top down approach based on the Group's significant risks. This approach starts with the identification of significant accounts and disclosures, assuming both quantitative and qualitative factors. The quantitative evaluation is based on the materiality of the account, and it is supplemented by qualitative analysis that determines the associated risk considering the characteristics of the transactions, the nature of the account, the accounting and reporting complexity, the probability of significant contingent liabilities to be generated resulting from transactions associated with the account, the susceptibility to errors or fraud losses and the potential impact on financial reporting of the risks identified in business units and corporate risks maps.

In order to perform a full risk assessment, this analysis is performed on each business unit, as they primarily generate financial information that serves as the basis for preparing consolidated financial statements of the Group.

For each business unit, the most relevant accounts are identified, based on mentioned risk analysis. After identifying significant accounts and disclosures at the consolidated level and in each business unit, we proceed to identify the relevant processes associated with them, and the main kind of transactions within each process. The objective is to document how key relevant processes transactions are initiated, authorized, recorded, processed and reported.

**•Whether the process covers all of the objectives of the financial information (existence and occurrence; integrity; evaluation; presentation, breakdown and comparability; and rights and obligations), whether it is updated, and with what frequency.**

For each account the controls are analyzed in order to cover the assertions to ensure the reliability of financial reporting, i.e. that recorded transactions have occurred and pertain to that account (existence and occurrence) , transactions and assets are registered in the correct amount (assessment / measurement), the assets, liabilities and transactions of the Group are properly disclosed, categorized and described (presentation and disclosure) and there are no assets, liabilities, and significant transactions not recorded (completeness). Complementary to risks update, the Group annually performs a review of controls that mitigate identified risks.

**•Whether there is a process for identification of scope of consolidation, taking into account among other aspects the possible existence of complex corporate structures, holding companies or special purpose vehicles.**

Among the significant processes it is considered the determination of the scope of consolidation of the Group, which is conducted monthly by the Consolidation department, set in the Corporate Finance Department, in collaboration with legal advisory department, who regularly reports the corporate transactions and subscribed shareholder agreements.

**•Whether the process takes into account the impacts of other types of risk (operating, technology, financial, legal, reputational, environmental, etc.) insofar as these affect the financial statements.**

Risk assessment process takes into account the risk profile of each business unit, which is determined by their contribution to the consolidated financial statements, and assessing the specific risks, among other factors, the nature of their activities, centralization or decentralization of operations, specific industry and environmental risks, to the extent they may have potential impact in financial statements.

**•Which governing body of the entity supervises the process.**

The system is monitored, as mentioned above, by the Audit Committee and, ultimately, by the Board of Directors.

## F.3 Control activities

**Provide information on whether at least the following exist, indicating their main features:**

### F.3.1. Procedures for reviewing and authorizing financial information and description of the ICoFR, to be published on the stock markets, indicating those responsible, as well as documentation describing flows of activities and controls (including those relating to risk of fraud) of different transaction types that may significantly affect the financial statements, including the procedure for the accounting close and the specific review of judgements, estimates, assessments and relevant forecasts.

The Group has documentation describing flows of activities and process controls identified as significant in each business unit and at corporate level. Based on this description the key risks and mitigating controls are identified. The documentation of control activities is supported on risk and control matrixes by process. In these matrixes the activities are classified by their nature as preventive or detective, and based on the degree of mitigation of associated risks, as key or standard.

In each significant business unit there is a documented process describing the accounting close as well as specific processes and controls concerning relevant judgments and estimates, according to the nature of the activities and risks associated to each business unit.

In relation to the financial reporting review and approval process, a phased certification process is developed on the effectiveness of internal control model over financial reporting. The CEOs and CFOs in the business units and companies that are considered significant, confirm in writing the effectiveness of defined controls for their critical processes as well as their financial information reliability. Also, in relation to this process, as mentioned above, there are procedures for the financial information disclosed to the stock markets review and approval by the governing bodies, including specific oversight of significant risks by the Audit Committee.

### F.3.2. Internal control policies and procedures for information systems (inter alia, for secure access, controls over modification and operation, continuity of operations and segregation of duties) that support the relevant processes of the entity in connection to the development and publishing of financial information.

As for the controls on the systems or applications which are relevant in relation to the developing of financial information, these are intended to maintain the integrity of systems and data and ensure its operation over time. The controls considered on information systems are essentially access control, segregation of duties, development or modification of computer applications. The Group annually reviews and evaluates the controls and procedures associated with the main applications implied in financial reporting processes.

### F.3.3. Internal control policies and procedures for supervising the management of activities outsourced to third parties, as well as those aspects of assessments, calculations or valuations that are entrusted to independent experts, which may have a material effect on the financial statements.

In relation to subcontracted activities, the main outsourced activity in the Group is information technologies service, entrusted to Indra. The Group has established a model of government based on regularly holding several meetings and committees in order to monitor the outsourced services. In particular, weekly service and demand operating sessions, attended by IT Directors of business units and service responsible Indra managers, provide of monitoring and control of incidents and requests. Fortnightly, the Group have service operative Committees attended by supervisors of Group transversal systems where new applications and infrastructures and new projects planning are reviewed. On a monthly basis is held the Global Service Committee where the quality, volume and nature of the services rendered during the month are reviewed and compared to the services of previous month. Also, service level agreements are monitored monthly.

## F.4 Information and communication

### Provide information on whether at least the following exist, indicating their main features:

### F.4.1. A specific function tasked with defining and updating accounting policies (accounting policy area or department) and resolving any queries or disputes arising as a result of their interpretation, maintaining a fluent dialog with the people responsible for operations in the organization, as well as an up-to-date accounting policies manual that is communicated to the units through which the entity operates.

The organization has an accounting manual founded on the International Financial Reporting Standards applicable to the Group's businesses, developed by the Internal Audit Department, and annually updated and communicated to the different business units. There are also specific accounting policies developed for some Group businesses providing simplified accounting treatment to correctly reflect their activities. Furthermore, Internal Audit Department periodically issues accounting newsletters that show the latest changes of international accounting standards in those aspects that could affect Group entities' financial statements.

### F.4.2. Mechanisms for gathering and preparing the financial information using standard formats, applied and used by all the units in the entity or the group, which support the main financial statements and disclosures, as well as the information given on the ICoFR.

Prisa counts on an unified and adapted chart of accounts applicable to all the Group companies that manage financial information within Group SAP software. Likewise, there is a single and homogeneous format of documentation for the financial reporting of Group business units which supports the financial statements, notes and disclosures included in regulated financial information.

## F.5 Supervision of system effectiveness

### Provide information on at least the following, indicating their main features:

### F.5.1. Supervisory activities on the ICoFR carried out by the Audit Committee, as well as whether the entity has an internal audit function that includes among its competencies supporting the committee in the task of supervising the internal control system, including the ICoFR. Furthermore, information must be provided on: the scope of the evaluation of the ICoFR carried out during the year and on the reporting procedure followed by the person in charge of conducting the evaluation; whether the entity has an action plan detailing possible corrective measures; and whether its impact on the financial information has been considered.

As part of the monitoring activities on the internal control system carried out by the Audit Committee, in accordance to current Regulation, the following are included in connection with the preparation and publishing of the financial information:

i. Monitor the effectiveness of the Company's internal control, and risk management system, included those related to tax regulation, and discuss with the external auditor the significant weaknesses in internal control system identified during the course of the audit.

ii. Monitor the process of preparation and presentation of the perceptive financial information.

iii. Inform in advance to the Board of Directors regarding all the subjects defined in the law, the corporate statutes and the Board Regulations, and in particular about:

    a. The financial information that the entity must periodically publish
    b. The creation or acquisition of shares on special purpose vehicles or companies registered in countries or territories considered as tax haven.
    c. Related parties operations

The Group has an internal audit unit, which supports the Group Audit Committee in monitoring internal control system over financial reporting. The Internal Audit Direction depends functionally on the Audit Committee and hierarchically on the Chairman of the Group.

The main objective of internal audit is to provide the Group management and the Audit Committee with reasonable assurance on the environment and internal control systems operating within the Group companies having been properly designed and managed. For this purpose, internal audit reviews the design and scope of the Group’s internal control system over financial reporting, and subsequently carries out the evaluation of the design and effectiveness of the control activities defined in the model. Annually the functioning of the general controls of the Group as well as controls related to the information systems and the key control activities in the ICoFR are tested.

For each of the identified weaknesses, an estimation is done on the economic impact and probability of occurrence, classifying them according to this estimation. Also, for all the identified weaknesses a plan of action is defined in order to correct or mitigate the risk, including a responsible for the management and an implementation schedule.

The Internal Audit Direction reports annually to the Audit Committee on the results of the evaluation of the ICoFR and regularly informs on the evolution of the stablished action plans.

### F.5.2. Whether any discussion procedure is in place whereby the auditor (in accordance with the provisions of the Technical Auditing Rules), the internal audit function and other experts may notify senior management and the Audit Committee or directors any significant internal control weaknesses identified during the processes of reviewing the financial statements and in any other processes that may have been entrusted to them. Information must also be provided on whether it has an action plan that seeks to correct or mitigate the weaknesses identified.

The significant deficiencies and material weaknesses that would have been revealed as a result of the internal audit’s assessment of the of internal control system over financial reporting, are reported to both the Audit Committee and the external auditor. Internal Audit prepares an annual report on the evaluation of the internal control system over the Group's financial information in which it is detailed for each weakness identified, a defined action plan or the mitigating controls, and those responsible for its implementation.

Additionally, ultimately, the internal control system is audited by the statutory auditor of the Group, who reports to the Audit Committee on the significant and material weaknesses identified and gives opinion on the effectiveness of internal control over financial reporting during the year.

## F.6 Other relevant information

None

## F.7 External auditor's report

## Provide information on:

### F.7.1. Whether the information on the ICoFR sent to the markets has been reviewed by the external auditor, in which case the entity should include the provided report as an annex. If that is not the case, reasons should be reported.

The system of internal control over financial reporting is audited by the statutory auditor of the Group that gives opinion on the effectiveness of internal control within a specific report.

## G. DEGREE OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS.

**Indicate the company's degree of compliance with the recommendations of the Unified Code of Corporate Governance.**

**If any recommendations are not followed or are only followed in part, a detailed explanation must be provided as to why that is the case so that shareholders, investors and the market in general has sufficient information to be able to assess the conduct of the company. General explanations will not be acceptable.**

**1. The bylaws of listed companies should not place an upper limit on the votes that can be cast by a single shareholder, or impose other obstacles to the takeover of the company by means of share purchases on the market.**

Compliant

**2. When a dominant and a subsidiary company are both listed, they two should provide detailed disclosure on:**

**a) The activity they engage in and any business dealings between them, as well as between the listed subsidiary and other group companies.**

**b) The mechanisms in place to resolve possible conflicts of interest.**

Does not apply

**3. During the annual general meeting the chairman of the board should verbally inform shareholders in sufficient detail of the most relevant aspects of the company's corporate governance, supplementing the written information circulated in the annual corporate governance report. In particular:**

**a) Changes taking place since the previous annual general meeting.**

**b) The specific reasons for the company not following a given Good Governance Code recommendation, and any alternative procedures followed in its stead.**

Compliant

**4. The company should draw up and implement a policy of communication and contacts with**

**shareholders, institutional investors and proxy advisors that complies in full with market abuse regulations and accords equitable treatment to shareholders in the same position.**

**This policy should be disclosed on the company's website, complete with details of how it has been put into practice and the identities of the relevant interlocutors or those charged with its implementation.**

Compliant

**5. The board of directors should not make a proposal to the general meeting for the delegation of powers to issue shares or convertible securities without pre-emptive subscription rights for an amount exceeding 20% of capital at the time of such delegation.**

**When a board approves the issuance of shares or convertible securities without pre-emptive subscription rights, the company should immediately post a report on its website explaining the exclusion as envisaged in company legislation.**

Explain:

At the annual general meeting of shareholders held in April 2015 it was resolved to authorize the Board to carry out one or more increases in the share capital by up to a maximum of half the share capital, and issue bonds, including straight bonds or bonds convertible into new shares and/or exchangeable for outstanding shares of the Company and other companies, warrants, commercial paper and preferred securities, including the authority to disapply pre-emption rights.

As noted in the reports the Board of Directors drew up explaining said proposed resolutions, the funding volume that Prisa needs to carry out investments and/or go through with the current process of restructuring its liabilities requires being able to access as many funding sources as are available in the market, using at all times the ones that are best suited to the Company. Recourse to debt markets is on occasion subject to temporary limitations arising from economic policy measures that at given times may curb or halt growth in monetary and credit variables and from the evolution of financial markets. For this reason, it is also advisable for Prisa to have open, via its Board of Directors, the possibility of carrying out capital increases when market conditions make such operations advisable.

The dynamics of all business corporations, especially large ones, require that their management and governing bodies can at all times make use of the most suitable instruments to adequately meet the needs of the Company in each specific case, in view of the market circumstances. Those circumstances can include the possibility of injecting funds into the company in the form of capital contributions.

In addition, as allowed under the Corporations Law, the Board was also given powers to exclude the pre-emption right in share issues carried out under the aforesaid authorizations, where the Company's interests so warrant. The Board of Directors believes that this additional possibility, which notably widens the capacity and freedom of action that is afforded by the simple delegation of powers to increase the share capital, is justified by the flexibility and agility commonly needed when acting in today's financial markets to be able to take advantage of moments when market conditions are more favourable. In addition, exclusion of the pre-emption right usually allows a reduction of the costs associated with the operation (including, most especially, the fees charged by the financial institutions that take part in the issue) in comparison with an issue subject to pre-emption rights, and at the same time causes less distortion in the stock's trading during the issue period, which is usually shorter than in an issue with pre-emption rights. Exclusion of those rights may also be necessary when seeking to raise funds in international markets or using bookbuilding techniques.

This was borne out in 2014 when the Company used an authorization approved by the 2013 annual general meeting to raise funds on very favourable conditions given the state of financial markets at that time and to consequently reduce its debt, improve its financial gearing ratio and better comply with its refinancing plan. It is difficult to ascertain whether that funding could have been obtained if the Company did not have that authorization.

Furthermore, the authorization granted by the 2015 general meeting was also used by the Board of Directors to approve a capital increase in November 2015.

Notwithstanding the foregoing, the exclusion of preferential subscription rights, in whole or in part, is only a faculty that the General Meeting grants the Board and the exercise of which depend on whether the Board of Directors so decides when deemed appropriate in the best interests of the Company, regarding the circumstances existing in each case and in compliance with the legal requirements.

With respect to the second part of this recommendation, the Company has published the reports explaining the exclusion of the pre-emption rights at the time there was called the Ordinary Shareholders Meeting to which the related proposed resolutions were to be submitted. Afterwards, in relation to the capital increase carried out in 2014, the rest of the reports envisaged in the Corporations Law were made available to the shareholders and communicated at the first General Meeting held after the resolution on the increase (the April 2015 meeting), and the same will be done when the 2016 Ordinary Shareholders Meeting is called with respect to the reports on the capital increase carried out in November 2015.

In any event, the Board of Directors has made prudent use of the aforementioned delegation, acting in the Company's interests at all times and applying significant issue premiums to the quoted price of the shares at the time of their subscription.

**6. Listed companies drawing up the following reports on a voluntary or compulsory basis should publish them on their website well in advance of the annual general meeting, even if their distribution is not obligatory:**

**a) Report on auditor independence.**

**b) Reviews of the operation of the audit committee and the nomination and remuneration committee.**

**c) Audit committee report on third-party transactions.**

**d) Report on corporate social responsibility policy.**

Partially compliant:

The Company, when calling the annual general meetings of previous years, and particularly the General Meeting of 2015, posted on its website the reports on the activities of all of its Committees (Audit, Appointments and Compensation, Corporate Governance, and Strategic Digital Change). And on the day of the general meeting the Company also makes the Annual Report on Corporate Social Responsibility available to the shareholders and posts it on the corporate website.

With regards to the reports on auditor independence and on related-party transactions, although were not published last years, as this was not legally required, the Company has provided information on this matters to the market, reporting on the auditor's independence in the annual report on the activities of the Audit Committee and also reporting on related-party transactions in its financial reporting and in the annual corporate governance report, which is also posted on the website.

**7. The company should broadcast its general meetings live on the corporate website.**

Explain:

Live broadcast of general meetings, although is provided as a possibility in Article 13.2 of the Board of Directors Regulation, is not legally required and, moreover, is expensive. During the general meetings the Company makes disclosures to the markets, in the form of reports of material events to the CNMV with the talks given at the general meeting by the Chairman and the Chief Executive Officer. Also, after voting is completed, the Company immediately makes public all of the resolutions approved, so that shareholders and the general public have been kept up to date practically in real time.

Nevertheless, the Company intends to broadcast its upcoming general meetings live and thus comply with this recommendation.

**8. The audit committee should strive to ensure that the board of directors can present the company's accounts to the general meeting without limitations or qualifications in the auditor's report. In the exceptional case that qualifications exist, both the chairman of the audit committee and the auditors should give a clear account to shareholders of their scope and content.**

Compliant

**9. The company should disclose its conditions and procedures for admitting share ownership, the right to attend general meetings and the exercise or delegation of voting rights, and display them permanently on its website.**

**Such conditions and procedures should encourage shareholders to attend and exercise their rights and be applied in a non-discriminatory manner.**

Compliant

**10. When an accredited shareholder exercises the right to supplement the agenda or submit new proposals prior to the general meeting, the company should:**

**a) Immediately circulate the supplementary items and new proposals.**

**b) Disclose the model of attendance card or proxy appointment or remote voting form duly modified so that new agenda items and alternative proposals can be voted on in the same terms as those submitted by the board of directors.**

**c) Put all these items or alternative proposals to the vote applying the same voting rules as for those submitted by the board of directors, with particular regard to presumptions or deductions about the direction of votes.**

**d) After the general meeting, disclose the breakdown of votes on such supplementary items or alternative proposals.**

Does not apply

**11. In the event that a company plans to pay for attendance at the general meeting, it should first establish a general, long-term policy in this respect.**

Does not apply

**12. The board of directors should perform its duties with unity of purpose and independent judgement, according the same treatment to all shareholders in the same position. It should be guided at all times by the company's best interest, understood as the creation of a profitable business that promotes its sustainable success over time, while maximising its economic value.**

Compliant

**13. The board of directors should have an optimal size to promote its efficient functioning and maximise participation. The recommended range is accordingly between five and fifteen members.**

Compliant

**14. The board of directors should approve a director selection policy that:**

**a) Is concrete and verifiable;**

**b) Ensures that appointment or re-election proposals are based on a prior analysis of the board's needs.**

**c) Favours a diversity of knowledge, experience and gender.**

**The results of the prior analysis of board needs should be written up in the nomination committee's explanatory report, to be published when the general meeting is convened that will ratify the appointment and re-election of each director.**

**The director selection policy should pursue the goal of having at least 30% of total board places occupied by women directors before the year 2020.**

**The nomination committee should run an annual check on compliance with the director selection policy and set out its findings in the annual corporate governance report.**

Compliant

**15. Proprietary and independent directors should constitute an ample majority on the board of directors, while the number of executive directors should be the minimum practical bearing in mind the complexity of the corporate group and the ownership interests they control.**

Compliant

**16. The percentage of proprietary directors out of all non-executive directors should be no greater than the proportion between the ownership stake of the shareholders they represent and the remainder of the company's capital.**

**This criterion can be relaxed:**

> **a) In large cap companies where few or no equity stakes attain the legal threshold for significant shareholdings.**
>
> **b) In companies with a plurality of shareholders represented on the board but not otherwise related.**

Compliant

**17. Independent directors should be at least half of all board members.**

**However, when the company does not have a large market capitalisation, or when a large cap company has shareholders individually or concertedly controlling over 30 percent of capital, independent directors should occupy, at least, a third of board places.**

Compliant

**18. Companies should disclose the following director particulars on their websites and keep them regularly updated:**

**a) Background and professional experience.**

**b) Directorships held in other companies, listed or otherwise, and other paid activities they engage in, of whatever nature.**

**c) Statement of the director class to which they belong, in the case of proprietary directors indicating the shareholder they represent or have links with.**

**d) Dates of their first appointment as a board member and subsequent re-elections.**

**e) Shares held in the company, and any options on the same.**

Partially compliant

The website of the Company expressly includes information on professional and biographical profile of the directors and the category they belong to, other boards of directors to which they belong as well as the shares of the Company and share options that they hold, through a direct link to the section on significant holdings of PRISA on the website of the CNMV.

It is noted, however, that the corporate website is currently being overhauled and not all information on paid activities of the Directors, the shareholder they represent or with whom the proprietary directors have links, or the date of first appointment and subsequent reappointment as a director of the Company, are made public yet.

Also, the information referred in this recommendation is contained in the annual corporate governance report, under the terms required by the regulations, and in the notes to the annual financial statements, which are posted on the corporate website.

**19. Following verification by the nomination committee, the annual corporate governance report should disclose the reasons for the appointment of proprietary directors at the urging of shareholders controlling less than 3 percent of capital; and explain any rejection of a formal request for a board place from shareholders whose equity stake is equal to or greater than that of others applying successfully for a proprietary directorship.**

Does not apply

**20. Proprietary directors should resign when the shareholders they represent dispose of their ownership interest in its entirety. If such shareholders reduce their stakes, thereby losing some of their entitlement to proprietary directors, the latters' number should be reduced accordingly.**

Compliant

**21. The board of directors should not propose the removal of independent directors before the expiry of their tenure as mandated by the bylaws, except where they find just cause, based on a proposal from the nomination committee. In particular, just cause will be presumed when directors take up new posts or responsibilities that prevent them allocating sufficient time to the work of a board member, or are in breach of their fiduciary duties or come under one of the disqualifying grounds for classification as independent enumerated in the applicable legislation.**

**The removal of independent directors may also be proposed when a takeover bid, merger or similar corporate transaction alters the company's capital structure, provided the changes in board membership ensue from the proportionality criterion set out in recommendation 16.**

Compliant

**22. Companies should establish rules obliging directors to disclose any circumstance that might harm the organisation's name or reputation, tendering their resignation as the case may be, and, in particular, to inform the board of any criminal charges brought against them and the progress of any subsequent trial.**

**The moment a director is indicted or tried for any of the offences stated in company legislation, the board of directors should open an investigation and, in light of the particular circumstances, decide whether or not he or she should be called on to**

**resign. The board should give a reasoned account of all such determinations in the annual corporate governance report.**

Compliant

**23. Directors should express their clear opposition when they feel a proposal submitted for the board's approval might damage the corporate interest. In particular, independents and other directors not subject to potential conflicts of interest should strenuously challenge any decision that could harm the interests of shareholders lacking board representation.**

**When the board makes material or reiterated decisions about which a director has expressed serious reservations, then he or she must draw the pertinent conclusions. Directors resigning for such causes should set out their reasons in the letter referred to in the next recommendation.**

**The terms of this recommendation also apply to the secretary of the board, even if he or she is not a director.**

Compliant

**24. Directors who give up their place before their tenure expires, through resignation or otherwise, should state their reasons in a letter to be sent to all members of the board. Whether or not such resignation is disclosed as a material event, the motivating factors should be explained in the annual corporate governance report.**

Compliant

**25. The nomination committee should ensure that non-executive directors have sufficient time available to discharge their responsibilities effectively.**

**The board of directors regulations should lay down the maximum number of company boards on which directors can serve.**

Compliant

**26. The board should meet with the necessary frequency to properly perform its functions, eight times a year at least, in accordance with a calendar and agendas set at the start of the year, to which each director may propose the addition of initially unscheduled items.**

Explain:

In accordance with Law, the Board of Directors Regulation provides that the Board must meet at least once per quarter. During 2015 the Board met 6 times and the circumstances did not require a larger number of meetings. The Company also has a Delegated Committee that met 5 times during the year.

**27. Director absences should be kept to a strict minimum and quantified in the annual corporate governance report. In the event of absence, directors should delegate their powers of representation with the appropriate instructions.**

Partially compliant

Directors try to personally attend the meetings and, preferentially, in person. However, if the attendance is impossible, the Director grants a proxy to another director. In this sense, the representations of the directors not always give concrete instructions, so that the representative can vote in accordance with the conclusions drawn from the debate that take place in the Board.

Notwithstanding the foregoing, the Company will bear this recommendation in mind and ensure that henceforth directors who do not attend board meetings will delegate their representation with the appropriate instructions in the appropriate terms.

**28. When directors or the secretary express concerns about some proposal or, in the case of directors, about the company's performance, and such concerns are not resolved at the meeting, they should be recorded in the minute book if the person expressing them so requests.**

Compliant

**29. The company should provide suitable channels for directors to obtain the advice they need to carry out their duties, extending if necessary to external assistance at the company's expense.**

Compliant

**30. Regardless of the knowledge directors must possess to carry out their duties, they should also be offered refresher programmes when circumstances so advise.**

Compliant

**31. The agendas of board meetings should clearly indicate on which points directors must arrive at a decision, so they can study the matter beforehand or gather together the material they need.**

**For reasons of urgency, the chairman may wish to present decisions or resolutions for**

**board approval that were not on the meeting agenda. In such exceptional circumstances, their inclusion will require the express prior consent, duly minuted, of the majority of directors present.**

Compliant

**32. Directors should be regularly informed of movements in share ownership and of the views of major shareholders, investors and rating agencies on the company and its group.**

Compliant

**33. The chairman, as the person charged with the efficient functioning of the board of directors, in addition to the functions assigned by law and the company's bylaws, should prepare and submit to the board a schedule of meeting dates and agendas; organise and coordinate regular evaluations of the board and, where appropriate, the company's chief executive officer; exercise leadership of the board and be accountable for its proper functioning; ensure that sufficient time is given to the discussion of strategic issues, and approve and review refresher courses for each director, when circumstances so advise.**

Compliant

**34. When a lead independent director has been appointed, the bylaws or board of directors regulations should grant him or her the following powers over and above those conferred by law: chair the board of directors in the absence of the chairman or vice chairmen give voice to the concerns of non-executive directors; maintain contacts with investors and shareholders to hear their views and develop a balanced understanding of their concerns, especially those to do with the company's corporate governance; and coordinate the chairman's succession plan.**

Partially compliant

The Company has amended the Board of Directors Regulation to expressly grant the lead independent director: i) all of the powers envisaged in the Corporations Law and ii) the powers envisaged in this recommendation except for the one to "maintain contacts with investors and shareholders to hear their views and develop a balanced understanding of their concerns", as this power has been allocated to the Investor Relations Department and the Shareholder Office of the Company, responsible for handling inquiries and questions from shareholders and institutional investors of the Company (provided that the corporate interests prevail and respecting the law and the rules of corporate governance of the Company), as stated in the Policy of Communication and contacts with shareholders, institutional investors and proxy advisors approved by the Board of Directors of the Company on 18 December 2015 and published on the corporate website.

**35. The board secretary should strive to ensure that the board's actions and decisions are informed by the governance recommendations of the Good Governance Code of**

**relevance to the company.**

Compliant

**36. The board in full should conduct an annual evaluation, adopting, where necessary, an action plan to correct weakness detected in:**

**a) The quality and efficiency of the board's operation.**
**b) The performance and membership of its committees.**
**c) The diversity of board membership and competences.**
**d) The performance of the chairman of the board of directors and the company's chief executive.**
**e) The performance and contribution of individual directors, with particular attention to the chairmen of board committees.**

**The evaluation of board committees should start from the reports they send the board of directors, while that of the board itself should start from the report of the nomination committee.**

**Every three years, the board of directors should engage an external facilitator to aid in the evaluation process. This facilitator's independence should be verified by the nomination committee.**

**Any business dealings that the facilitator or members of its corporate group maintain with the company or members of its corporate group should be detailed in the annual corporate governance report.**

**The process followed and areas evaluated should be detailed in the annual corporate governance report.**

Partially compliant:

The Board of Directors carries out the evaluation required under this recommendation, except for the evaluation of performance and contribution of each director, as it is considered sufficient a global assessment of the Board as a body

In addition, the Company has a Corporate Governance Committee that is the body with powers to prepare a report for the evaluation of the Board and its Committees.

**37. When an executive committee exists, its membership mix by director class should resemble that of the board. The secretary of the board should also act as secretary to the executive committee.**

Partially compliant:

The Secretary of the Board of Directors also acts as secretary to the Delegated Committee.

The composition of the Delegated Committee, however, does not resemble that of the Board of Directors:

i) In the Delegated Committee there is a predominance of executive directors (3 of the members) and, in addition, there is 1 proprietary director and 2 independents.

ii) The Board of Directors is composed of 3 executive directors, 5 proprietary directors, 6 independent directors and by one external director.

The Company has been of the opinion that this composition of the Delegated Committee was appropriate and operationally effective in accordance with the needs of the Company and the functions of the Delegated Commission.

Nevertheless, given that i) in November 2015 the term of office of several PRISA directors ended whose office will, according to Article 222 of the LSC, will lapse when the next annual general meeting is held; and ii) the Company's shareholder composition underwent significant change December 2015 that have also been reflected in the composition of the Board of Directors, the Company will take this recommendation into account when it addresses the upcoming restructuring of the Board of Directors.

**38. The board should be kept fully informed of the business transacted and decisions made by the executive committee. To this end, all board members should receive a copy of the committee's minutes.**

Compliant

**39. All members of the audit committee, particularly its chairman, should be appointed with regard to their knowledge and experience in accounting, auditing and risk management matters. A majority of committee places should be held by independent directors.**

Compliant

**40. Listed companies should have a unit in charge of the internal audit function, under the supervision of the audit committee, to monitor the effectiveness of reporting and control systems. This unit should report functionally to the board's non-executive chairman or the chairman of the audit committee.**

Compliant

**41. The head of the unit handling the internal audit function should present an annual work programme to the audit committee, inform it directly of any incidents arising during its implementation and submit an activities report at the end of each year.**

Compliant

**42. The audit committee should have the following functions over and above those legally assigned:**

**1. With respect to internal control and reporting systems:**

**a) Monitor the preparation and the integrity of the financial information prepared on the company and, where appropriate, the group, checking for compliance with legal provisions, the accurate demarcation of the consolidation perimeter, and the correct application of accounting principles.**

**b) Monitor the independence of the unit handling the internal audit function; propose the selection, appointment, re-election and removal of the head of the internal audit service; propose the service's budget; approve its priorities and work programmes, ensuring that it focuses primarily on the main risks the company is exposed to; receive regular report-backs on its activities; and verify that senior management are acting on the findings and recommendations of its reports.**

**c) Establish and supervise a mechanism whereby staff can report, confidentially and, if appropriate and feasible, anonymously, any significant irregularities that they detect in the course of their duties, in particular financial or accounting irregularities.**

**2. With regard to the external auditor:**

**a) Investigate the issues giving rise to the resignation of the external auditor, should this come about.**

**b) Ensure that the remuneration of the external auditor does not compromise its quality or independence.**

**c) Ensure that the company notifies any change of external auditor to the CNMV as a material event, accompanied by a statement of any disagreements arising with the outgoing auditor and the reasons for the same.**

**d) Ensure that the external auditor has a yearly meeting with the board in full to inform it of the work undertaken and developments in the company's risk and accounting positions.**

**e) Ensure that the company and the external auditor adhere to current regulations on the provision of non-audit services, limits on the concentration of the auditor's business and other requirements concerning auditor independence.**

Compliant

**43. The audit committee should be empowered to meet with any company employee or manager, even ordering their appearance without the presence of another senior**

**officer.**

Compliant

**44. The audit committee should be informed of any fundamental changes or corporate transactions the company is planning, so the committee can analyse the operation and report to the board beforehand on its economic conditions and accounting impact and, when applicable, the exchange ratio proposed.**

Compliant

**45. Risk control and management policy should identify at least:**

**a) The different types of financial and non-financial risk the company is exposed to (including operational, technological, financial, legal, social, environmental, political and reputational risks), with the inclusion under financial or economic risks of contingent liabilities and other off-balance-sheet risks.**

**b) The determination of the risk level the company sees as acceptable.**

**c) The measures in place to mitigate the impact of identified risk events should they occur.**

**d) The internal control and reporting systems to be used to control and manage the above risks, including contingent liabilities and off-balance-sheet risks.**

Compliant

**46. Companies should establish a risk control and management function in the charge of one of the company's internal department or units and under the direct supervision of the audit committee or some other dedicated board committee. This function should be expressly charged with the following responsibilities:**

**a) Ensure that risk control and management systems are functioning correctly and, specifically, that major risks the company is exposed to are correctly identified, managed and quantified.**

**b) Participate actively in the preparation of risk strategies and in key decisions about their management.**

**c) Ensure that risk control and management systems are mitigating risks effectively in the frame of the policy drawn up by the board of directors.**

Compliant

**47. Appointees to the nomination and remuneration committee – or of the nomination committee and remuneration committee, if separately constituted – should have the right balance of knowledge, skills and experience for the functions they are called on to discharge. The majority of their members should be independent directors.**

Partially compliant:

The Nominations and Compensation Committee is composed of 2 independent directors and 2 proprietary directors, as membership of proprietary directors on this committee is considered essential. Nevertheless, all members of this committee, regardless of their category, have the right balance of knowledge, skills and experience for the functions they are called on to discharge.

**48. Large cap companies should operate separately constituted nomination and remuneration committees.**

Does not apply

**49. The nomination committee should consult with the company's chairman and chief executive, especially on matters relating to executive directors.**

**When there are vacancies on the board, any director may approach the nomination committee to propose candidates that it might consider suitable.**

Compliant

**50. The remuneration committee should operate independently and have the following functions in addition to those assigned by law:**

**a) Propose to the board the standard conditions for senior officer contracts.**

**b) Monitor compliance with the remuneration policy set by the company.**

**c) Periodically review the remuneration policy for directors and senior officers, including share-based remuneration systems and their application, and ensure that their individual compensation is proportionate to the amounts paid to other directors and senior officers in the company.**

**d) Ensure that conflicts of interest do not undermine the independence of any external advice the committee engages.**

**e) Verify the information on director and senior officers' pay contained in corporate documents, including the annual directors' remuneration statement.**

Compliant

**51. The remuneration committee should consult with the company's chairman and chief executive, especially on matters relating to executive directors and senior officers.**

Compliant

**52. The terms of reference of supervision and control committees should be set out in the board of directors regulations and aligned with those governing legally mandatory board committees as specified in the preceding sets of recommendations. They should include at least the following terms:**

**a) Committees should be formed exclusively by non-executive directors, with a majority of independents.**

**b) They should be chaired by independent directors.**

**c) The board should appoint the members of such committees with regard to the knowledge, skills and experience of its directors and each committee's terms of reference; discuss their proposals and reports; and provide report-backs on their activities and work at the first board plenary following each committee meeting.**

**d) They may engage external advice, when they feel it necessary for the discharge of their functions.**

**e) Meeting proceedings should be minuted and a copy made available to all board members.**

Partially compliant

The rules set out in paragraphs b), d) e) are fully included in the Board of Directors Regulation of the Company. The Regulation also expressly stated that the Chairmen of the Committees must provide report-backs on their activities and work at the first board plenary following each committee meeting.

Furthermore, it is expressly stated that the Committees are exclusively composed of non-executive directors (except in relation to Technological Transformation Committee).

It is not explicitly stated in the Regulation, however, that these committees should be formed by a majority of independent directors (even if that it is a fact in the Corporate Governance Committee), or that the board appoint the members of these committees taking into knowledge, skills and experience of the directors and the duties of each committee, and discusses its proposals and reports, although this is done in practice.

**53. The task of supervising compliance with corporate governance rules, internal codes of conduct and corporate social responsibility policy should be assigned to one board committee or split between several, which could be the audit committee, the nomination committee, the corporate social responsibility committee, where one exists, or a dedicated committee established ad hoc by the board under its powers of self-**

**organisation, with at the least the following functions:**

**a) Monitor compliance with the company's internal codes of conduct and corporate governance rules.**

**b) Oversee the communication and relations strategy with shareholders and investors, including small and medium-sized shareholders.**

**c) Periodically evaluate the effectiveness of the company's corporate governance system, to confirm that it is fulfilling its mission to promote the corporate interest and catering, as appropriate, to the legitimate interests of remaining stakeholders.**

**d) Review the company's corporate social responsibility policy, ensuring that it is geared to value creation.**

**e) Monitor corporate social responsibility strategy and practices and assess compliance in their respect.**

**f) Monitor and evaluate the company's interaction with its stakeholder groups.**

**g) Evaluate all aspects of the non-financial risks the company is exposed to, including operational, technological, legal, social, environmental, political and reputational risks.**

**h) Coordinate non-financial and diversity reporting processes in accordance with applicable legislation and international benchmarks.**

Compliant

**54. The corporate social responsibility policy should state the principles or commitments the company will voluntarily adhere to in its dealings with stakeholder groups, specifying at least:**

**a) The goals of its corporate social responsibility policy and the support instruments to be deployed.**

**b) The corporate strategy with regard to sustainability, the environment and social issues.**

**c) Concrete practices in matters relative to: shareholders, employees, clients, suppliers, social welfare issues, the environment, diversity, fiscal responsibility, respect for human rights and the prevention of illegal conducts.**

**d) The methods or systems for monitoring the results of the practices referred to above, and identifying and managing related risks.**

**e) The mechanisms for supervising non-financial risk, ethics and business conduct.**

**f) Channels for stakeholder communication, participation and dialogue.**

**g) Responsible communication practices that prevent the manipulation of information and protect the company's honour and integrity.**

Compliant

**55. The company should report on corporate social responsibility developments in its directors' report or in a separate document, using an internationally accepted methodology.**

Compliant

**56. Director remuneration should be sufficient to attract individuals with the desired profile and compensate the commitment, abilities and responsibility that the post demands, but not so high as to compromise the independent judgement of non-executive directors.**

Compliant

**57. Variable remuneration linked to the company and the director's performance, the award of shares, options or any other right to acquire shares or to be remunerated on the basis of share price movements, and membership of long-term savings schemes such as pension plans should be confined to executive directors.**

**The company may consider the share-based remuneration of non-executive directors provided they retain such shares until the end of their mandate. This condition, however, will not apply to shares that the director must dispose of to defray costs related to their acquisition.**

Compliant

**58. In the case of variable awards, remuneration policies should include limits and technical safeguards to ensure they reflect the professional performance of the beneficiaries and not simply the general progress of the markets or the company's sector, or circumstances of that kind.**

**In particular, variable remuneration items should meet the following conditions:**

**a) Be subject to predetermined and measurable performance criteria that factor the risk assumed to obtain a given outcome.**

**b) Promote the long-term sustainability of the company and include non-financial criteria that are relevant for the company's long-term value, such as compliance with its internal rules and procedures and its risk control and management policies.**

**c) Be focused on achieving a balance between the delivery of short, medium and long-term objectives, such that performance-related pay rewards ongoing achievement, maintained over sufficient time to appreciate its contribution to long-term value creation. This will ensure that performance measurement is not based solely on one-off, occasional or extraordinary events.**

Compliant

**59. A major part of variable remuneration components should be deferred for a long enough period to ensure that predetermined performance criteria have effectively been met.**

Explain

The Long Term Incentive Plan (ILP) was passed at the Shareholders' Meeting of 2014 and its Regulation don´t includes this deferred payment. However the Company will consider this recommendation in the next long-term compensation systems that, where appropriate, approves.

**60. Remuneration linked to company earnings should bear in mind any qualifications stated in the external auditor's report that reduce their amount.**

Compliant

**61. A major part of executive directors' variable remuneration should be linked to the award of shares or financial instruments whose value is linked to the share price.**

Compliant

**62. Following the award of shares, share options or other rights on shares derived from the remuneration system, directors should not be allowed to transfer a number of shares equivalent to twice their annual fixed remuneration, or to exercise the share options or other rights on shares for at least three years after their award.**

**The above condition will not apply to any shares that the director must dispose of to defray costs related to their acquisition.**

Compliant

**63. Contractual arrangements should include provisions that permit the company to reclaim variable components of remuneration when payment was out of step with the director's actual performance or based on data subsequently found to be misstated.**

Compliant

**64. Termination payments should not exceed a fixed amount equivalent to two years of the director's total annual remuneration and should not be paid until the company confirms that he or she has met the predetermined performance criteria.**

Compliant

## H. OTHER INFORMATION OF INTEREST

**1. If there is any material aspect of corporate governance within the company or the group entities that is not covered by the other sections of this report but which needs to be included in order to give a more complete and reasoned picture of the governance structure and practices within the company or its group, provide brief details of it.**

**2. Any other information, clarification or matter connected with the previous sections of this report may be included under this section to the extent that it is relevant and not a repetition.**

**Specifically, indicate whether the company is subject to legislation that differs from the Spanish legislation when it comes to corporate governance and, if so, include the information that has to be supplied and that is different from the information required in this report.**

**3. The company may also indicate whether it has voluntarily adopted other codes of conduct or good practice, be they international, sector-related or of some other kind. If it has, the code in question and the date on which it was adopted should be identified.**

-With regard to **Section A.1** of this report it should be underscored that:

i) Both the share capital and the number of shares of the Company have been amended in 2015, on the occasion of the following transactions:

a) 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.

b) 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.

c) 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.

d) Capital increase subscribed by shareholder International Media Group, S.à.r.l.:

By virtue of the delegation of authority to the Board of Directors to increase capital, granted by the Ordinary General Shareholders' Meeting held on April 20, 2015, in a meeting held on 14 November 2015 Prisa's Board of Directors approved a capital increase for a total amount (nominal value plus the share premium) of Euro 64,000,000.00, at an issue price per share of Euro 10.00 and excluding the existing shareholders' preferential subscription rights, which was subscribed by shareholder International Media Group, S.à.r.l. ("International Media Group") and paid up in full by a monetary contribution at the time of the subscription.

The capital increase was effected by the issue and allotment of ordinary shares, having obtained the mandatory report prepared by the auditor appointed by the Commercial Registry of Madrid confirming that the issue price is appropriate in the terms provided in the Spanish Capital Companies Act.

e) Exercise of Warrants 2013:

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

ii) The composition of PRISA's share capital at December 31, 2015 is set out in section A.1 of this Report.

iii) The indicated date of amendment (23/12/2015) is the date of inscription in the Commercial Registry of the last deed modifying capital during the 2015 financial year.

- With regard to **Section A.2** of this report it should be underscored that:

i) The reported significant holdings are those that as per December 31, 2015 had been disclosed by their holders to the CNMV. However since some shareholders have not updated in the CNMV the number of voting rights that they hold after the grouping and exchange of shares or reverse split, in order to fill in tables in section A.2 of this report the Company has calculated the estimate number of the voting rights that correspond to such shareholders (Nicolas Berggruen, Banco Santander, S.A, Fundación Bancaria Caixa D'Estalvis I Pensions de Barcelona/ Caixabank, S.A, HSBC Holdings PLC, Grupo Herradura de Occidente, S.A. de CV/ Consorcio Transportista Occher, S.A. de C.V.), dividing by 30 the number of old shares they declared.

ii) The indirect holding declared by Rucandio, S.A. to the CNMV (13,729,811 voting rights) is held through the entities identified in section A.2 (Promotora de Publicaciones, S.L., Timón, S.A., Asgard Inversiones, S.A., Rucandio Inversiones SICAV and Otnas Inversiones, S.L), with a total of 6,872,607 voting rights and, in addition, through 6,857,204 voting rights of the Company bound by the Prisa Shareholders' Agreement signed on April 24, 2014 (in which Rucandio indirectly holds a majority of the voting rights), as described in section A.6 of this Report. The aforesaid 6,857,204 voting rights bound by the Prisa Shareholders' Agreement include 6,140,576 voting rights of Grupo Herradura de Occidente, S.A. de CV.

iii) As reported to the Spanish Securities & Exchange Commission (CNMV), the holder of the indirect interest of Grupo Herradura de Occidente, S.A. de CV (188,912,295 old voting rights, which are equivalent to 6,297,076 voting rights after the reverse split, according to the Company's calculations) is held through Consorcio Transportista Occher, S.A. de C.V. Part of those voting rights (184,217,295 old voting rights, equivalent to 6,140,576 voting rights after the reverse split) are linked to Prisa Shareholders Agreement and the rest (156,500 voting rights) are not included in the aforesaid syndicate of shareholders.

iv) The voting rights held by International Media Group, SARL have been declared to the CNMV by D. Khalid Bin Thani Bin Abdullah Al-Thani, proprietary director of the Company (external director representing significant shareholdings), as an indirect stake.

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

v) As reported to the Spanish Securities & Exchange Commission (CNMV), the owner of the indirect holding declared by Nicolas Berggruen is the company BH Stores IV, B.V.

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

vi) Banco Santander, S.A. has reported to the Spanish Securities & Exchange Commission (CNMV) that its indirect holding is exercised through the following companies in the Santander Group: Cántabra de Inversiones, S.A., Cántabro Catalana de Inversiones, S.A., Fomento e Inversiones, S.A., Títulos de Renta Fija, S.A., Carpe Diem Salud, S.L. and Suleyado 2003, S.L.

vii) Telefónica, SA, pursuant to the transitory provision four of Royal Decree 878/2015 of 2 October and the entry into force of the new Article 28 bis of Royal Decree 1362/2007, has also communicated to the CNMV the holding of financial instruments linked to shares of PRISA, subject to net settlement in cash (i.e 6,267,600 voting rights linked to the shares used as a reference for these instruments).

viii) The most significant changes in the shareholding structure during the financial year are those declared by the owners of the shares to the CNMV at December 31, 2015.

- With regard to **Section A.3** of this report it should be underscored that:

i) Mr. Joseph Oughourlian, external director representing significant shareholdings, has stated to the Company: i) that the structure of his indirect stake in the share capital of the Company is as declared in the tables of Section A.3 and ii) that he controls, per article 5 of the Consolidated Text of the Spanish Stock Exchange Act:

- Amber Capital UK, LLP, which acts as investment manager to Amber Active Investors Limited, Amber Global Opportunities Limited and Amber Select Opportunities Limited.

- Amber Capital LP, which acts as investment manager to Succinite XI Holdings II SARL.

ii) The 13 voting rights declared by Mrs. Arianna Huffington and the 133 voting rights declared by Mr John Paton, are represented by way of 13 and 133 ADR´s representing ordinary shares of PRISA, respectively.

iii) Given that the indirect holding declared by directors Juan Luis Cebrián Echarri, Manuel Polanco Moreno, Gregorio Marañón, Borja Perez Arauna and Agnes Noguera Borel does not represent 3% of the voting rights of the Company, the direct holder need not be identified, according to the terms of the Instructions for Completing the Annual Corporate Governance Report approved by CNMV Circular 7/2015.

- With regard to **Section A5** of this report, see section D.2 of this report regarding related party transactions.

-With regard to **Section A.6** of this report it should be underscored that:

i) The information regarding shareholders agreements was declared to the CNMV in material disclosures no 155,690 and 155,942, dated December 23 and December 30, 2011, respectively, in material disclosure no 157,599 dated February 7, 2012, in material disclosures no 193,575 dated October 7, 2013, and in material disclosures no 201041, no 204178 and no 211007, dated February 27, April 28, and September 22, 2014.

ii) Agreement of shareholders of (PRISA):
On 24 April 2014 a shareholders agreement was signed by Timón, S.A., Promotora de Publicaciones, S.L., Asgard Inversiones, S.L.U, Otnas Inversiones, S.L. (all direct or indirect subsidiaries of Rucandio, S.A.) and the shareholder CONSORCIO TRANSPORTISTA OCCHER, S.A. DE CV (subsidiary of Grupo Herradura Occidente, S.A. de CV) together with other shareholders, individuals and legal entities, of PRISA, for the purpose of: i) syndicating the vote of certain shares held by these shareholders and determining certain commitments of permanence as shareholders of the Company and ii) regulating the conduct of syndicated shareholders, so that it is concerted and unified, thus ensuring a common, stable voting policy in the Company

iii) Shareholder Agreement in Promotora de Publicaciones, S.L.:
The shareholders agreement was signed on May 21, 1992 and in a notarial document certified by Madrid Notary Public Mr. Jose Aristonico Sanchez, Timon S.A. and a group of shareholders of Promotora de Informaciones, S.A. entered into an agreement to govern the contribution of their shares in that company to Promotora de Publicaciones, S.L. (hereinafter, “Propu”) and their participation therein. Basically, the undertakings set forth in that agreement are as follows: a) each majority shareholder shall have at least one representative on the Board of Directors of Prisa and, to the extent possible, the governing body of Propu shall have the same composition as Prisa’s; b) Propu shares to be voted at Prisa’s General Shareholders Meetings will be previously determined by the majority members. Propu members who are likewise members of Prisa’s Board of Directors shall vote in the same manner, following instructions from the majority shareholders; c) in the event that Timon, S.A. sells its holdings in Propu, the remaining majority shareholders shall have the right to sell their holdings in Propu on the same terms to the same buyer, to the extent that the foregoing is possible.

iv) Shareholder Agreement in Rucandio, S.A.:
On December 23, 2003 in a private document Mr. Ignacio Polanco Moreno, Ms. Isabel Polanco Moreno– deceased- (whose children have succeeded to her position in this agreement), Mr. Manuel Polanco Moreno, Ms. Mª Jesús Polanco Moreno and their now deceased father Mr. Jesús de Polanco Gutiérrez and mother Ms. Isabel Moreno Puncel signed a Family Protocol, to which a Shareholder Syndicate Agreement was annexed concerning shares in Rucandio, S.A. and whose object is to preclude the entry of third parties outside the Polanco Family in Rucandio, S.A. in the following terms: (i) the syndicated shareholders and directors must meet prior to any shareholder or board meeting to determine how they will vote their syndicated shares, and are obliged to vote together at shareholder meetings in the manner determined by the syndicated shareholders; (ii) if an express agreement is not achieved among the syndicated shareholders with respect to any of the proposals made at a shareholder meeting, it will be understood that sufficient agreement does not exist to bind the syndicate and, in consequence, each syndicated shareholder may freely cast his vote; (iii) members of the syndicate are obliged to attend syndicate meetings personally or to grant proxy to a person determined by the syndicate, unless the syndicate expressly agrees otherwise, and to vote in accordance with the instructions determined by the syndicate, as well as to refrain from exercising any rights individually unless they have been previously discussed and agreed at a meeting of the syndicate.; (iv) members of the syndicate are precluded from transferring or otherwise disposing of shares in Rucandio, S.A until 10 years following the death of Mr. Jesús de Polanco Gutiérrez, requiring in any case the consensus of all shareholders for any type of transfer to a third party. An exception to the aforementioned term can be made upon the unanimous agreement of the shareholders. This limitation likewise applied specifically to the shares that Rucandio, S.A. holds directly or indirectly in Promotora de Informaciones, S.A.

v) The concerted actions known to the Company are the shareholders agreements described above.

-With regard to **Section A.9.bis** of this report it should be underscored that floating capital has been estimated following the instructions of CNMV Circular 7/2015, that is, not taking into account the part of the share capital in the hands of significant shareholders (section A.2 of the report), or the voting rights of members of the Board of Directors (section A.3 of the report), or treasury stock (section A.8 of the report), and avoiding overlap between the voting rights of significant shareholders and of directors.

-With regard to **Section B.4** of this report it is noted that the percentage of electronic voting in the shareholders 'meeting of April 28, 2014 was 0.002% and in the shareholders' meeting of April 20, 2015 was 0.004%. These data are not recorded in the table, because the CNMV`s templates only allows inserting figures with two decimals.

-With regard to **Section C.1.2** of this report it should be underscored that: i) Appointment of Mr. Juan Luis Cebrian Echarri as Chairman of the Board of Directors was approved on 20 July 2012; ii) appointment of Mr. Manuel Polanco Moreno as Deputy Chairman was approved on 20 July 2012 and iii) appointment of Mr Jose Luis Sainz as Chief Executive Officer was as of October 1, 2014.

- With regard to **Section C.1.3** of this report it should be underscored that Mr. .Manuel Polanco is an external director representing significant shareholdings having been appointed by Timón, S.A and, likewise, is an executive director.

-With regard to **Section C.1.10** of this report it should be underscored that:

Mr. Juan Luis Cebrián Echarri and Mr. Jose Luis Sainz Díaz, to whom all the powers of the Board are delegated, save for those powers that by law cannot be delegated, are the Company's Executive Chairman and Chief Executive Officer respectively.

However, in accordance with the provisions of the Board of Directors Regulation, the two executives have different functions in order to ensure an adequate balance of power and to lessen any risk of a concentration of powers in a single person.

Thus the Chairman is responsible for organising the Board, reporting to the Board on the fulfilment of the objectives set by it, promoting good governance within the Company, the monitoring and definition of the corporate strategy, the organisation and general governance of the Company and the top-level inspection of the Company.

For his part, the Chief Executive Officer is the main collaborator of the Executive Chairman and is the person responsible for the ordinary management of the business, tasked with executing the strategy on a day-to-day basis and heading up the Business Units.

The Executive Chairman deals with the Chief Executive Officer and, where he considers it appropriate, with senior management, in order to report on how the business is doing.

For his part the Chief Executive Officer presides over a committee made up of the main executives from the Corporate Centre and the Chief Executive Officers of the Business Units, who meet once a fortnight in order to ensure the ordinary and effective management of the Group.

The Company also has a Coordinating Director, who is appointed from the independent directors, with the powers set out in article 12 of the Board of Directors Regulation.

- With regard to **section C.12**. of this report it should be underscored that:

i) Company director Ms. Agnès Noguera Borel represents the director Luxury Liberty, S.A. at the board of directors of Adolfo Domínguez, S.A.

ii) Company director Mr Khalid Bin Thani Bin Abdullah Al Thani, also holds the following positions, in addition to those declared in the table of this section: Managing Director of Quatar International Islamic Bank, Chief Coordinator of Medicare Group, and Chief Coordinator of Quatar Islamic Insurance Co.

- With regard to **section C.1.15** and **C. 1.16**. of this report it should be underscored that:

i) The amounts corresponding to the total remuneration of directors and senior management recorded in sections C.1.15 and C.1.16 are those paid during the year calculated on an accrual basis as stipulated in Spanish Securities & Exchange Commission (CNMV) Circulars 4/2013, 5/2013 and 7/2015, which approve the models for annual reports on directors' remuneration and the annual corporate governance report for listed limited companies, and differ from the total remuneration paid to directors and senior management recorded in the Notes to the Financial Statements and Half-yearly Financial Information for 2015, which reflect accounting provision.

The remuneration paid to directors included in Section C.1.15 of this Report thus coincides with that specified in Section D of the annual report on directors' remuneration, to which we refer for further details.

ii) The total remuneration for the Board of Directors includes the compensation of Mr Fernando Abril-Martorell, Mr Emmanuel Roman and Mr Juan Arena de la Mora, until their resignation as directors, in 2015;

iii) The report on remuneration of Directors (section A.4 and E) states that, in accordance with the terms of his contract with the Company, Mr. Juan Luis Cebrián Echarri from January 2016 is entitled to receive a variable multi-year incentive, payable in shares of PRISA, with a value of up to 1,000,000 euros, being 15 € the reference value of the shares for the purposes of calculating the number of shares awarded, subject to (i) his remaining as Executive Chairman of PRISA until 1 January 2016 and (ii) his achievement of strategic objectives of the Company fixed by the Board of Directors.

This variable multi-year incentive of Mr. Cebrián, payable in shares of the Company in 2016, is not included in the overall remuneration of section C.1.5 of this report, since at the date of issuance of this report is unknown the price of the shares at the time of their delivery, which will occur in 2016.

iv) Section A.5 of the report on remuneration (Explain the principal features of the long-term savings schemes, including retirement and any other survival benefit, financed in whole or in part by the company, whether funded internally or externally, with an estimate of the amount thereof or the equivalent annual cost, indicating the type of plan, whether it is a defined contribution or defined benefit plan, the conditions for vesting of the economic rights in favour of directors and compatibility thereof with any kind of indemnification for early termination of the contractual relationship between the company and the director. Also indicate the contributions on the director’s behalf to defined-contribution pension plans, or any increase in the director’s vested rights in the case of contributions to defined-benefit schemes) states as follows:

The contract signed with the Executive Chairman, Mr. Juan Luis Cebrián Echarri, which entered into effect on 1 January 2014 (see section A.7), provides that for each of the years 2014, 2015, 2016, 2017 and 2018, he is entitled to an annual contribution of 1,200,000 euros, as retirement benefit. Mr. Cebrián, founder of El Pais, this year will turn 40 years of service to the Company.

The retirement benefit will be delivered to Mr. Cebrián upon conclusion of his contract, even though the director resigns of his own accord. In the event of early termination of his contract by the Company, Mr. Cebrián as indemnification will receive exclusively full settlement of the retirement benefit, which will not be compatible with any other kind of indemnification

As indicated in section A.7 below, in the event of breach of the noncompetition clause established in his contract, Mr. Cebrián will be required to repay such amount as he may have received as retirement benefit to the Company.

The Company recorded in 2014 a provision covering the full amount of the retirement benefit.

v) 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

Is also included within the total compensation of senior management that corresponding to:

o 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.
o Mr Javier Lázaro until his resignation as CFO in October 2015.
o 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.

-With regard to **Section C.1.45** of this report it should be underscored that the body that has authorized ironclad or golden handshake clauses was the Corporate Governance, Nomination and Compensation Committee or the Nomination and Compensation Committee, depending on the date.

- With regard to **Section C.2.1** of this report it should be underscored that:

i) The three members of the Audit Committee, Mr. Alain Minc, Mr. Claudio Boada and Mr. Jose Luis Leal, have been appointed taking account of their knowledge and experience of accounting and audit work, but the IT platform only allows one director to be selected.

ii) The Chairman of the Audit Committee, Mr. Alain Minc, has held office since October 2014.

- With regard to **Section D.2** of this report it should be underscored that:

i. Transactions shown in the table include operations with the significant shareholder and/or companies in the Group;

ii. Transactions with Grupo PRISA include those with Promotora de Informaciones, S.A. (PRISA) and companies in its group. When the name of a particular company in Grupo PRISA is specified, this indicates that the transaction was carried out exclusively with that company.

iii. The operations shown in the table reflect the accounting information contained in the consolidated income statement for Grupo PRISA.

- With regard to **Section D.3** of this report it should be underscored that compensation to Prisa directors and senior management is detailed in Sections C.1.15 and C.1.16 of this report.

Likewise it should be underscored that Mr. Gregorio Marañón y Bertrán de Lis has rendered Legal advice services.

- With regard to **Section D.5** of this report it should be underscored that, in addition to the transactions described in section D.4 above, the following transactions with related parties, have been performed: i) services provided to Grupo Prisa companies by other investee companies, for an aggregate amount of 1,115 thousand euros, ii) services provided by Grupo Prisa companies to other investee companies, for an aggregate amount of 1,056 thousand euros, iii) loans granted by Grupo Prisa companies to other investee companies, for an aggregate amount of 1,026 thousand euros, iv) financial income recorded by companies in Grupo Prisa, linked to the loans granted to investees, amounting to an aggregate total of 1,329 thousand euros and v) dividends received by Grupo Prisa companies from investees, amounting to an aggregate total of 47 thousand euros.

- With regard to **Sections D.7 and G.2** of this report it should be underscored that PRISA Portuguese subsidiary Grupo Media Capital, S.G.P.S, S.A. is listed on the Portuguese securities market.

- For the purposes of **section G.16** of this Report, it is placed on record that the Company currently has 5 proprietary directors (representing 41.66% of the total external directors) and the shareholders they represent own an aggregate interest of approximately 41.76%:

- It is placed on record, in general for the entire Report, that the taxpayer identification numbers (CIF) attributed to certain natural and legal persons are fictitious and have only been included to be able to complete the electronic template.

- As PRISA's ADS are not listed on the NYSE (see Section A.12 of this Report), the Company is not subject to the corporate governance requirements specified by the Securities Exchange Act, the Sarbanes-Oxley Act and the NYSE.

Prisa does not prepare any annual corporate governance report other than this one.

**This Annual Report on Corporate Governance was approved by the Board of Directors of the Company at its meeting on February 26, 2016.**

**Indicate whether any directors voted against or abstained in the vote taken to approve this report.**

NO

# Promotora de Informaciones, S.A. (Prisa) and subsidiaries

## Independent Report on the System of Internal Control over Financial Reporting (ICFR)

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

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INDEPENDENT REPORT ON THE SYSTEM OF INTERNAL CONTROL OVER FINANCIAL REPORTING (ICFR)

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

**Scope of the Work**

We have conducted the review of the information relating to the System of Internal Control over Financial Reporting (ICFR) of Promotora de Informaciones, S.A. and subsidiaries ("the Group") contained in Note F of the accompanying Annual Corporate Governance Report for the year ended 31 December 2015.

The objective of this system is to contribute to the transactions performed being presented fairly and to provide reasonable assurance in relation to the prevention or detection of any errors that might have a material effect on the consolidated financial statements.

The aforementioned system is based on the rules and policies defined by the Board of Directors of Promotora de Informaciones, S.A. in accordance with the guidelines established by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in its Internal Control-Integrated Framework (2013) report.

A system of internal control over financial reporting is a process designed to provide reasonable assurance on the reliability of financial information in accordance with the accounting principles and standards applicable to it. A system of internal control over financial reporting includes policies and procedures that: (i) enable the records reflecting the transactions performed to be kept accurately and with a reasonable level of detail; (ii) guarantee that these transactions are performed only in accordance with the authorisations established; (iii) provide reasonable assurance that transactions are recognised appropriately to enable the preparation of the financial information in accordance with the accounting principles and standards applicable to it; and (iv) provide reasonable assurance in relation to the prevention or timely detection of unauthorised acquisition, use or sale of the company's assets that could have a material effect on the financial information. In view of the limitations inherent to any system of internal control over financial reporting, certain errors, irregularities or fraud might not be detected. Also, the projection to future periods of an evaluation of internal control is subject to risks, including the risk that internal control may be rendered inadequate as a result of future changes in the applicable conditions or that there may be a reduction in the future of the degree of compliance with the policies or procedures established.

**Directors' Responsibility**

The Board of Directors of Promotora de Informaciones, S.A. is responsible for maintaining the system of internal control over the financial information included in the consolidated financial statements and for evaluating its effectiveness.

## Our Responsibility

Our responsibility is to issue a report on the independent reasonable assurance review of the effectiveness of the System of Internal Control over Financial Reporting (ICFR) based on the work performed by us.

Our work includes an evaluation of the effectiveness of the system of ICFR in relation to the financial information contained in the Group's consolidated financial statements as at 31 December 2015, prepared in accordance with International Financial Reporting Standards as adopted by the European Union and the other provisions of the regulatory financial reporting framework applicable to the Group.

Our work was performed in accordance with the requirements established in Standard ISAE 3000 "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC) for the issuance of reasonable assurance reports.

This standard requires the planning and performance of procedures and the obtainment of sufficient evidence to reduce engagement risk to an acceptably low level in the circumstances of the engagement, and the issuance of a positive conclusion.

## Independence

Our work was performed in accordance with the independence standards required by the Code of Ethics of the International Ethics Standards Board for Accountants (IESBA), which are based on the fundamental principles of integrity, objectivity, professional competence, due care, confidentiality and professional behaviour.

In accordance with International Standard on Quality Control (ISQC), Deloitte maintains a global system of quality control which includes documented policies and procedures in relation to compliance with ethical requirements, professional standards and applicable legislation.

## Conclusion

In our opinion, at 31 December 2015 the Group had, in all material respects, an effective System of Internal Control over the Financial Information contained in its consolidated financial statements, and this internal control system is based on the rules and policies defined by the Board of Directors of Promotora de Informaciones, S.A. in accordance with the guidelines established by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in its Internal Control-Integrated Framework (2013) report. Also, the disclosures contained in the information relating to the system of ICFR which is included in Section F of the Group's Annual Corporate Governance Report at 31 December 2015 comply, in all material respects, with the requirements established by the Spanish Limited Liability Companies Law, by Ministry of Economy and Competitiveness Order ECC/461/2013, of 20 March, and Circular 7/2015, of 22 December, as amended by Spanish National Securities Market Commission (CNMV) Circular 5/2013, of 12 June 2013.

DELOITTE, S.L.

Fernando García Beato
26 February 2016

Prisa has defined the tolerable error in respect of risks associated with the financial information. By reference to this tolerance level the company identifies the significant processes and accounts in the system for controlling the financial information.

As far as other risks are concerned, the impact and probability of them occurring is assessed in order to determine their relative position on the risk maps of the Group and the business units. This assessment is carried out by the Group's senior management.

### E.5 State which risks, including tax risks, have materialized during the year.

In the 2015 financial year Prisa's activities and investments in Latin American were affected by the slowing down of the growth rate in some countries, as well as by the volatility in exchange rates. The Group's results in Latin America were negatively affected by the weakness of exchange rates in the region (principally in Brazil and Venezuela). The negative impact of the exchange rate trend on the Group's income amounted to 38.8 million euros in the 2015 financial year.

### E.6 Explain the response and supervision plans for the entity's main risks, including tax risks.

The Group continuously monitors its investments and carries out an impairment test on them at least annually or, if appropriate, when there are signs of impairment.

In terms of exchange rate risk, to the extent that it has credit lines available, the Group adopts the practice of entering into currency hedges, forwards and options, based on its monthly forecasts and budgets. The main aim of this is to reduce cash flow volatility in the subsidiaries operating abroad.

## F. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS IN CONNECTION WITH THE FINANCIAL REPORTING PROCESS (ICFR)

**Describe the mechanisms making up the control and risk management systems in connection with the financial reporting process (ICoFR) of your entity.**

### F.1 Entity control environment

**Indicate the following, detailing at least their main features:**

**F.1.1. What bodies and/or functions are responsible for: (i) the existence and maintenance of an adequate and effective ICoFR; (ii) its implementation; and (iii) its supervision.**

The company's approach regarding the internal control over financial reporting (hereinafter ICoFR), which was initially deployed according Internal Control Framework issued by COSO in 1992, was adapted during 2014 to the revised COSO Framework issued in 2013. In this regard, the Group will continue improving its ICFR system in conformity with this new Integrated Internal Control Framework.

The Board of Directors of Prisa , among other functions, as set out in Article 5.2 of Board Regulations, are responsible for the definition of the policy of control and risk management (included those related to the tax regulation) and for the monitoring of internal information and control systems. Also, in accordance with the provisions of the mentioned article of the Board Regulations, the financial information, that Prisa, as listed company, had the obligation to periodically make public, must be approved by the Board of Directors. In this regard, the Board of Directors is assisted, for the development of these functions, by the Audit Committee of Prisa. Among the basic responsibilities of the Audit Committee, as defined in the Board Regulations , are the monitoring of the effectiveness of Group's internal control and risk management systems, and the preparation and presentation of the regulated financial information, in particular the Financial Statements that the Board must provide quarterly and annually to the markets and their supervisory bodies.

The effective implementation of internal control model is the responsibility of the CEO and the CFO of Prisa, as well as the CEOs and CFOs of the Group's business units involved in the preparation of financial information which forms the basis for the preparation of Group's Financial Statements.

The monitoring of ICoFR, is performed both by the Audit Committee and the Board of Prisa, with the Internal Audit function support.

### F.1.2. With particular reference to the process for preparing financial information, which of the following elements are in place:

**•Departments and/or mechanisms responsible for: (i) design and review of the organizational structure; (ii) clearly defining lines of responsibility and authority, with an adequate distribution of tasks and duties; and (iii) ensuring there are adequate procedures for their correct dissemination within the entity.**

The Direction of Organization and Human Resources, under the CEO, is responsible for the design, implementation, review and updating of the Group's organizational structure. The Group's business units have a distribution and definition of tasks and functions in the financial areas, which have job descriptions for key roles in these areas, as well as clearly defined lines of responsibility and authority in the preparation process of the financial reporting.

In addition, the Direction of Organization and Human Resources coordinates and monitors the internal procedures of the Group companies, and its degree of documentation, updating and circulation.

**•Code of conduct: approval body, degree of communication and instruction, principles and values included (indicated whether specific mention is made of the recording of operations and the preparation of financial information), the body responsible for analysing non-compliance and proposing corrective actions and sanctions.**

The Code of Conduct of the Group, approved in fiscal year 2011 by the Board of Directors, and effective to December 2015, established the general guidelines that should govern the conduct of Prisa and all Group employees in the performance of their duties and in their commercial and professional relationships, acting in accordance with each country laws, and respectfully towards the commonly recognized ethical principles.

In December 2015 the PRISA Board of Directors approved a new Code of Conduct, henceforth called the Code of Ethics, setting out the principles and standards of conduct that should govern the companies in Grupo

PRISA and all their employees, aimed at ensuring ethical and responsible behavior in the pursuit of their activities.

The PRISA Compliance Office reports functionally and administratively to the Audit Committee and is the body charged with safeguarding and promoting ethical behavior of employees, associates and members of Grupo PRISA, and, therefore, amongst other functions, with overseeing their compliance with the Code of Ethics.

The Compliance Office must report incidents relating to the Code of Ethics to the Corporate Governance Committee so that the latter can examine compliance with the Group's rules of governance.

The Compliance Office promotes internal communication with officers and employees to ensure they know the compliance policy and obligations in this respect and organizes refresher courses for them on compliance matters.

The Code of Ethics approved in December 2015, the same as the one in force previously, has been communicated and disseminated to all employees of the Group to whom it applies. Also, the PRISA Communication Department has implemented an internal and external communication plan for the Code, supervised by the PRISA Compliance Office, and the associated training plan.

The Code of Ethics is posted on the corporate website (www.prisa.com) and in Grupo PRISA's global intranet (Toyoutome).

The Code of Ethics sets out a series of standards of conduct based on the following principles:

i. Commitment to respect human rights and liberties.
ii. Promotion of career development, equal opportunity, non-discrimination due to personal, physical or social conditions, and respect for persons.
iii. Occupational safety and health.
iv. Environmental protection.

Specifically, in relation to financial reporting, Grupo PRISA considers transparency in financial information as a basic principle that must govern its actions and, therefore, establishes rules of conduct aimed at ensuring that all information, be it internal information or the information reported to the markets, to the regulators of those markets or to government authorities, be truthful and complete and adequately reflects, amongst other aspects, its financial situation and the results of its operations, and be reported on a timely basis and in accordance with the applicable standards and general principles governing markets and their proper governance that Grupo PRISA has endorsed.

Rules of conduct are also established aimed to guarantee that all transactions are timely recorded in the Group's systems, in keeping with the principles of existence, completeness, clarity and accuracy in the Group's systems and financial statements, in accordance with the applicable accounting standards.

**•Whistle-blowing channel for communicating irregularities of a financial and accounting nature to the Audit Committee, as well as any failures to comply with the code of conduct and irregular activities in the organization, indicating whether it is confidential in nature.**

The Group has a Whistle-blowing mailbox for the reception and treatment of complaints regarding wrongdoings or breaches related to both, internal and external regulations, in matters affecting the Group, its employees or its activities. In fiscal year 2015 the nature of the complaints this channel was designed for has been widened, in comparison to the original, which was exclusively referred to accounting and internal control matters, to the current one described above.

This is a confidential and anonymous communication channel available to any employee in the Group intranet or alternatively through a post office box laid out for this purpose. The received complaints are currently managed by Prisa Compliance Unit, who reports them to the Audit Committee. Additionally, there is a confidential Whistle-blowing mailbox for third parties related to the Group and accessible through corporate website www.prisa.com.

**•Training and regular updating programmes for the personnel involved in the preparation and review of financial information, as well as assessment of the ICoFR, dealing at least with accounting standards, audit, internal control and risk management.**

The Group employees with new ICoFR coordination or execution responsibilities formally assigned during the fiscal year, around 45 people, have received a training curse on internal control including the description of the Group ICoFR model.

Additionally, the personnel with financial reporting responsibilities in the business units and main Group companies are regularly kept informed through newsletters regarding accounting standard developments.

## F.2 Assessment of financial reporting risks

### Inform at least on the following:

### F.2.1. What are the main features of the risks identification process? Include risks of error and fraud, indicating:

**•Whether the process exists and is documented.**

The system stablished in the Group for financial reporting risks identification and assessment is formally documented and updated at least once a year.

In the Group financial reporting risks assessment it is applied a top down approach based on the Group's significant risks. This approach starts with the identification of significant accounts and disclosures, assuming both quantitative and qualitative factors. The quantitative evaluation is based on the materiality of the account, and it is supplemented by qualitative analysis that determines the associated risk considering the characteristics of the transactions, the nature of the account, the accounting and reporting complexity, the probability of significant contingent liabilities to be generated resulting from transactions associated with the account, the susceptibility to errors or fraud losses and the potential impact on financial reporting of the risks identified in business units and corporate risks maps.

In order to perform a full risk assessment, this analysis is performed on each business unit, as they primarily generate financial information that serves as the basis for preparing consolidated financial statements of the Group.

For each business unit, the most relevant accounts are identified, based on mentioned risk analysis. After identifying significant accounts and disclosures at the consolidated level and in each business unit, we proceed to identify the relevant processes associated with them, and the main kind of transactions within each process. The objective is to document how key relevant processes transactions are initiated, authorized, recorded, processed and reported.

**•Whether the process covers all of the objectives of the financial information (existence and occurrence; integrity; evaluation; presentation, breakdown and comparability; and rights and obligations), whether it is updated, and with what frequency.**

For each account the controls are analyzed in order to cover the assertions to ensure the reliability of financial reporting, i.e. that recorded transactions have occurred and pertain to that account (existence and occurrence) , transactions and assets are registered in the correct amount (assessment / measurement), the assets, liabilities and transactions of the Group are properly disclosed, categorized and described (presentation and disclosure) and there are no assets, liabilities, and significant transactions not recorded (completeness). Complementary to risks update, the Group annually performs a review of controls that mitigate identified risks.

**•Whether there is a process for identification of scope of consolidation, taking into account among other aspects the possible existence of complex corporate structures, holding companies or special purpose vehicles.**

Among the significant processes it is considered the determination of the scope of consolidation of the Group, which is conducted monthly by the Consolidation department, set in the Corporate Finance Department, in collaboration with legal advisory department, who regularly reports the corporate transactions and subscribed shareholder agreements.

**•Whether the process takes into account the impacts of other types of risk (operating, technology, financial, legal, reputational, environmental, etc.) insofar as these affect the financial statements.**

Risk assessment process takes into account the risk profile of each business unit, which is determined by their contribution to the consolidated financial statements, and assessing the specific risks, among other factors, the nature of their activities, centralization or decentralization of operations, specific industry and environmental risks, to the extent they may have potential impact in financial statements.

**•Which governing body of the entity supervises the process.**

The system is monitored, as mentioned above, by the Audit Committee and, ultimately, by the Board of Directors.

## F.3 Control activities

**Provide information on whether at least the following exist, indicating their main features:**

### F.3.1. Procedures for reviewing and authorizing financial information and description of the ICoFR, to be published on the stock markets, indicating those responsible, as well as documentation describing flows of activities and controls (including those relating to risk of fraud) of different transaction types that may significantly affect the financial statements, including the procedure for the accounting close and the specific review of judgements, estimates, assessments and relevant forecasts.

The Group has documentation describing flows of activities and process controls identified as significant in each business unit and at corporate level. Based on this description the key risks and mitigating controls are identified. The documentation of control activities is supported on risk and control matrixes by process. In these matrixes the activities are classified by their nature as preventive or detective, and based on the degree of mitigation of associated risks, as key or standard.

In each significant business unit there is a documented process describing the accounting close as well as specific processes and controls concerning relevant judgments and estimates, according to the nature of the activities and risks associated to each business unit.

In relation to the financial reporting review and approval process, a phased certification process is developed on the effectiveness of internal control model over financial reporting. The CEOs and CFOs in the business units and companies that are considered significant, confirm in writing the effectiveness of defined controls for their critical processes as well as their financial information reliability. Also, in relation to this process, as mentioned above, there are procedures for the financial information disclosed to the stock markets review and approval by the governing bodies, including specific oversight of significant risks by the Audit Committee.

**F.3.2. Internal control policies and procedures for information systems (inter alia, for secure access, controls over modification and operation, continuity of operations and segregation of duties) that support the relevant processes of the entity in connection to the development and publishing of financial information.**

As for the controls on the systems or applications which are relevant in relation to the developing of financial information, these are intended to maintain the integrity of systems and data and ensure its operation over time. The controls considered on information systems are essentially access control, segregation of duties, development or modification of computer applications. The Group annually reviews and evaluates the controls and procedures associated with the main applications implied in financial reporting processes.

**F.3.3. Internal control policies and procedures for supervising the management of activities outsourced to third parties, as well as those aspects of assessments, calculations or valuations that are entrusted to independent experts, which may have a material effect on the financial statements.**

In relation to subcontracted activities, the main outsourced activity in the Group is information technologies service, entrusted to Indra. The Group has established a model of government based on regularly holding several meetings and committees in order to monitor the outsourced services. In particular, weekly service and demand operating sessions, attended by IT Directors of business units and service responsible Indra managers, provide of monitoring and control of incidents and requests. Fortnightly, the Group have service operative Committees attended by supervisors of Group transversal systems where new applications and infrastructures and new projects planning are reviewed. On a monthly basis is held the Global Service Committee where the quality, volume and nature of the services rendered during the month are reviewed and compared to the services of previous month. Also, service level agreements are monitored monthly.

## F.4 Information and communication

**Provide information on whether at least the following exist, indicating their main features:**

**F.4.1. A specific function tasked with defining and updating accounting policies (accounting policy area or department) and resolving any queries or disputes arising as a result of their interpretation, maintaining a fluent dialog with the people responsible for operations in the organization, as well as an up-to-date accounting policies manual that is communicated to the units through which the entity operates.**

The organization has an accounting manual founded on the International Financial Reporting Standards applicable to the Group's businesses, developed by the Internal Audit Department, and annually updated and communicated to the different business units. There are also specific accounting policies developed for some Group businesses providing simplified accounting treatment to correctly reflect their activities. Furthermore, Internal Audit Department periodically issues accounting newsletters that show the latest changes of international accounting standards in those aspects that could affect Group entities' financial statements.

### F.4.2. Mechanisms for gathering and preparing the financial information using standard formats, applied and used by all the units in the entity or the group, which support the main financial statements and disclosures, as well as the information given on the ICoFR.

Prisa counts on an unified and adapted chart of accounts applicable to all the Group companies that manage financial information within Group SAP software. Likewise, there is a single and homogeneous format of documentation for the financial reporting of Group business units which supports the financial statements, notes and disclosures included in regulated financial information.

## F.5 Supervision of system effectiveness

### Provide information on at least the following, indicating their main features:

### F.5.1. Supervisory activities on the ICoFR carried out by the Audit Committee, as well as whether the entity has an internal audit function that includes among its competencies supporting the committee in the task of supervising the internal control system, including the ICoFR. Furthermore, information must be provided on: the scope of the evaluation of the ICoFR carried out during the year and on the reporting procedure followed by the person in charge of conducting the evaluation; whether the entity has an action plan detailing possible corrective measures; and whether its impact on the financial information has been considered.

As part of the monitoring activities on the internal control system carried out by the Audit Committee, in accordance to current Regulation, the following are included in connection with the preparation and publishing of the financial information:

i. Monitor the effectiveness of the Company's internal control, and risk management system, included those related to tax regulation, and discuss with the external auditor the significant weaknesses in internal control system identified during the course of the audit.

ii. Monitor the process of preparation and presentation of the perceptive financial information.

iii. Inform in advance to the Board of Directors regarding all the subjects defined in the law, the corporate statutes and the Board Regulations, and in particular about:

   a. The financial information that the entity must periodically publish
   b. The creation or acquisition of shares on special purpose vehicles or companies registered in countries or territories considered as tax haven.
   c. Related parties operations

The Group has an internal audit unit, which supports the Group Audit Committee in monitoring internal control system over financial reporting. The Internal Audit Direction depends functionally on the Audit Committee and hierarchically on the Chairman of the Group.

The main objective of internal audit is to provide the Group management and the Audit Committee with reasonable assurance on the environment and internal control systems operating within the Group companies having been properly designed and managed. For this purpose, internal audit reviews the design and scope of the Group's internal control system over financial reporting, and subsequently carries out the evaluation of the design and effectiveness of the control activities defined in the model. Annually the functioning of the general controls of the Group as well as controls related to the information systems and the key control activities in the ICoFR are tested.

For each of the identified weaknesses, an estimation is done on the economic impact and probability of occurrence, classifying them according to this estimation. Also, for all the identified weaknesses a plan of action is defined in order to correct or mitigate the risk, including a responsible for the management and an implementation schedule.

The Internal Audit Direction reports annually to the Audit Committee on the results of the evaluation of the ICoFR and regularly informs on the evolution of the stablished action plans.

### F.5.2. Whether any discussion procedure is in place whereby the auditor (in accordance with the provisions of the Technical Auditing Rules), the internal audit function and other experts may notify senior management and the Audit Committee or directors any significant internal control weaknesses identified during the processes of reviewing the financial statements and in any other processes that may have been entrusted to them. Information must also be provided on whether it has an action plan that seeks to correct or mitigate the weaknesses identified.

The significant deficiencies and material weaknesses that would have been revealed as a result of the internal audit's assessment of the of internal control system over financial reporting, are reported to both the Audit Committee and the external auditor. Internal Audit prepares an annual report on the evaluation of the internal control system over the Group's financial information in which it is detailed for each weakness identified, a defined action plan or the mitigating controls, and those responsible for its implementation.

Additionally, ultimately, the internal control system is audited by the statutory auditor of the Group, who reports to the Audit Committee on the significant and material weaknesses identified and gives opinion on the effectiveness of internal control over financial reporting during the year.

## F.6 Other relevant information

None

## F.7 External auditor's report

**Provide information on:**

### F.7.1. Whether the information on the ICoFR sent to the markets has been reviewed by the external auditor, in which case the entity should include the provided report as an annex. If that is not the case, reasons should be reported.

The system of internal control over financial reporting is audited by the statutory auditor of the Group that gives opinion on the effectiveness of internal control within a specific report.

# G. DEGREE OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS.

**Indicate the company's degree of compliance with the recommendations of the Unified Code of Corporate Governance.**

**If any recommendations are not followed or are only followed in part, a detailed explanation must be provided as to why that is the case so that shareholders, investors and the market in general has sufficient information to be able to assess the conduct of the company. General explanations will not be acceptable.**

**1. The bylaws of listed companies should not place an upper limit on the votes that can be cast by a single shareholder, or impose other obstacles to the takeover of the company by means of share purchases on the market.**

Compliant

**2. When a dominant and a subsidiary company are both listed, they two should provide detailed disclosure on:**

**a) The activity they engage in and any business dealings between them, as well as between the listed subsidiary and other group companies.**

**b) The mechanisms in place to resolve possible conflicts of interest.**

Does not apply

**3. During the annual general meeting the chairman of the board should verbally inform shareholders in sufficient detail of the most relevant aspects of the company's corporate governance, supplementing the written information circulated in the annual corporate governance report. In particular:**

**a) Changes taking place since the previous annual general meeting.**

**b) The specific reasons for the company not following a given Good Governance Code recommendation, and any alternative procedures followed in its stead.**

Compliant

**4. The company should draw up and implement a policy of communication and contacts with**