

Promotora de Informaciones, S.A.

Financial Statements and Directors' Report for 2016, together with Independent Auditor's Report

*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.*

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INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

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

Report on the financial statements

We have audited the accompanying financial statements of Promotora de Informaciones, S.A., which comprise the balance sheet as at 31 December 2016, and the income statement, statement of changes in equity, statement of cash flows and notes to the financial statements for the year then ended.

Directors' responsibility for the financial statements

The directors are responsible for preparing the accompanying financial statements so that they present fairly the equity, financial position and results of Promotora de Informaciones, S.A. in accordance with the regulatory financial reporting framework applicable to the Company in Spain (identified in Note 2-a to the accompanying financial statements) and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the 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 financial statements.

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

Opinion

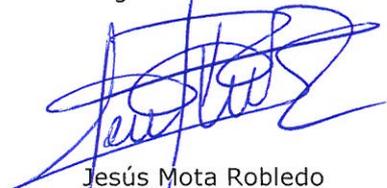
In our opinion, the accompanying financial statements present fairly, in all material respects, the equity and financial position of Promotora de Informaciones, S.A. as at 31 December 2016, and its results and its cash flows for the year then ended in accordance with the regulatory financial reporting framework applicable to the Company and, in particular, with the accounting principles and rules contained therein.

Report on other legal and regulatory requirements

The accompanying directors' report for 2016 contains the explanations which the directors consider appropriate about the Company's situation, the evolution of its business and other matters, but is not an integral part of the financial statements. We have checked that the accounting information in the directors' report is consistent with that contained in the financial statements for 2016. Our work as auditors was confined to checking the 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.

DELOITTE, S.L.

Registered in ROAC under no. S0692



Jesús Mota Robledo
February 27, 2017

PROMOTORA DE INFORMACIONES, S.A. (PRISA)

Individual Financial Statements and Directors' Report for 2016

PROMOTORA DE INFORMACIONES, S.A. (PRISA)

Individual Financial Statements for 2016

PROMOTORA DE INFORMACIONES, S.A. (PRISA)
BALANCE SHEET AT 31 DECEMBER 2016
(in thousands of euros)

ASSETS	12/31/16	12/31/15	EQUITY AND LIABILITIES	12/31/16	12/31/15
A) NON-CURRENT ASSETS	1,318,856	2,074,934	A) EQUITY (Note 8)	(343,091)	(430,044)
I. INTANGIBLE ASSETS (Note 5)			A-1) Shareholders' equity	(343,310)	(430,175)
1. Computer software	327	917	I. SHARE CAPITAL	235,008	235,008
2. Advances and intangible assets in progress	-	66	II. SHARE PREMIUM	1,371,299	1,371,299
II. PROPERTY, PLANT AND EQUIPMENT (Note 6)	862	823	III. OTHER EQUITY INSTRUMENTS	130,700	46,408
1. Other fixtures and furniture	193	145	IV. RESERVES	(2,077,284)	(2,075,342)
2. Other items of property, plant and equipment	669	678	1. Legal and bylaw reserves	17,220	17,220
III. NON-CURRENT INVESTMENTS IN GROUP COMPANIES AND ASSOCIATES (Note 7.1)	1,033,891	1,715,568	2. Other reserves	105,722	102,502
1. Equity instruments	1,033,891	1,585,717	3. Loss from previous years	(2,200,226)	(2,195,064)
2. Loans to companies	-	129,851	V. TREASURY SHARES	(1,735)	(2,386)
IV. NON-CURRENT FINANCIAL ASSETS (Note 7.1)	1,175	1,059	VI. PROFIT (LOSS) FOR THE YEAR	(1,298)	(5,162)
1. Equity instruments	1,162	1,046	A-2) Value adjustments	219	131
2. Other financial assets	13	13	I. AVAILABLE-FOR-SALE FINANCIAL ASSETS (Note 7.1)	219	131
V. DEFERRED TAX ASSETS (Note 9)	282,601	356,501	B) NON-CURRENT LIABILITIES	1,665,489	1,987,387
B) CURRENT ASSETS	43,945	427,356	I. LONG-TERM PROVISIONS (Note 12)	25,158	111,135
I. TRADE AND OTHER RECEIVABLES	2,563	25,919	II. NON-CURRENT PAYABLES (Note 7.2)	1,544,453	1,751,785
1. Trade receivables for services	61	-	1. Bank borrowings	1,544,453	1,751,785
2. Receivable from Group companies and associates (Note 16)	2,260	23,115	III. NON-CURRENT PAYABLES TO GROUP COMPANIES AND ASSOCIATES (Note 7.2 and 16)	94,171	113,236
3. Employee receivables	5	17	IV. DEFERRED TAX LIABILITIES (Note 9)	1,707	11,231
4. Tax receivables (Note 9)	206	2,123	C) CURRENT LIABILITIES	40,403	944,947
5. Other receivables	31	664	I. CURRENT PAYABLES (Note 7.2)	212	883
II. CURRENT INVESTMENTS IN GROUP COMPANIES AND ASSOCIATES (Note 7.1 and 16)	34,296	46,391	1. Bank borrowings	212	780
1. Loans to companies	34,296	46,391	2. Other financial liabilities	-	103
III. CURRENT FINANCIAL INVESTMENTS (Note 7.1)	4,188	101,522	II. CURRENT PAYABLES TO GROUP COMPANIES AND ASSOCIATES (Note 7.2 and 16)	23,866	921,921
1. Other financial assets	4,188	101,522	III. TRADE AND OTHER PAYABLES	16,325	22,143
IV. CURRENT PREPAYMENTS AND ACCRUED INCOME	1,189	2,309	1. Payable to suppliers (Note 15)	42	56
V. CASH AND CASH EQUIVALENTS (Note 7.4)	1,709	251,215	2. Payable to suppliers - Group companies and associates (Note 15 and 16)	310	257
1. Cash	1,709	251,215	3. Sundry accounts payable (Note 15)	13,421	15,704
			4. Remuneration payable	1,901	5,035
			5. Tax payables (Note 9)	651	1,091
TOTAL ASSETS	1,362,801	2,502,290	TOTAL EQUITY AND LIABILITIES	1,362,801	2,502,290

The accompanying Notes 1 to 21 and Appendices I and II are an integral part of the balance sheet at 31 December 2016

Translation of financial statements originally issued in Spanish and prepared in accordance with generally accepted accounting principles in Spain (see Notes 2 and 21). In the event of a discrepancy, the Spanish-language version prevails.

PROMOTORA DE INFORMACIONES, S.A. (PRISA)
INCOME STATEMENT FOR 2016
(in thousands of euros)

	2016	2015
A) CONTINUING OPERATIONS		
1. Revenue		
a) Services (Note 16)	11,430	11,417
b) Income from equity investments (Note 16)	10,579	10,058
2. Other operating income	949	286
3. Staff costs		
a) Wages, salaries and similar expenses	(6,337)	(13,107)
b) Employee benefit costs (Note 10)	(804)	(1,180)
4. Other operating expenses		
a) Outside services (Note 10)	(19,762)	(18,232)
b) Taxes other than income tax	(8,692)	(132)
c) Impairment and other losses	5	(102)
5. Depreciation and amortization charge (Notes 5 and 6)	(722)	(942)
PROFIT/LOSS FROM OPERATIONS	(13,354)	(11,934)
6. Finance income		
a) From loans to Group companies and associates (Note 16)	1,627	3,806
b) Other finance income (Notes 7.2 and 8)	39,390	45,913
c) Profits on disposal of holdings (Note 7.1)	-	38,653
7. Finance costs and similar expenses:		
a) On debts to Group companies (Note 16)	(2,085)	(5,912)
b) On debts to third parties and similar expenses	(77,875)	(134,646)
8. Change in fair value of financial instruments	-	726
9. Exchange differences	3	(137)
10. Impairment of financial instruments		
a) Impairment and other losses (Notes 7.1 and 12)	62,710	(10,536)
FINANCIAL LOSS (Note 11)	23,770	(62,133)
LOSS BEFORE TAX	10,416	(74,067)
11. Income tax (Note 9)	(11,419)	72,215
PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS	(1,003)	(1,852)
B) DISCONTINUED OPERATIONS	(295)	(3,310)
PROFIT/(LOSS) FOR THE YEAR	(1,298)	(5,162)

The accompanying Notes 1 to 21 and Appendices I and II are an integral part of the income statement for 2016

Translation of financial statements originally issued in Spanish and prepared in accordance with generally accepted accounting principles in Spain (see Notes 2 and 21). In the event of a discrepancy, the Spanish-language version prevails.

PROMOTORA DE INFORMACIONES, S.A.
STATEMENT OF CHANGES IN EQUITY FOR 2016

A) STATEMENT OF COMPREHENSIVE INCOMES AND EXPENSES FOR 2016
(in thousands of euros)

	12/31/16	12/31/15
A) Profit/(Loss) per income statement	(1,298)	(5,162)
Income and expense recognized directly in equity		
Arising from revaluation of financial instruments (Note 7.1)	88	(32)
Tax effect	117	(43)
	(29)	11
B) Total income and expense recognized directly in equity	(1,210)	(5,194)
Transfers to profit or loss		
Arising from revaluation of financial instruments	-	(22,272)
Tax effect	-	(30,933)
	-	8,661
C) Total transfers to profit or loss	-	(22,272)
TOTAL RECOGNIZED INCOME AND EXPENSE	(1,210)	(27,466)

The accompanying Notes 1 to 21 and Appendix I and II are an integral part of the statement of comprehensive incomes and expenses for 2016

PROMOTORA DE INFORMACIONES, S.A.
STATEMENT OF CHANGES IN EQUITY FOR 2016
B) TOTAL STATEMENT OF CHANGES IN EQUITY FOR 2016
(in thousands of euros)

	Share capital	Share premium	Other Equity Instruments	Legal reserve	Statutory reserves	Resolution reserves	Reserves for treasury shares	Reserves for capital merger	Voluntary reserves	Loss from previous years	Reserves for variation in fair value of financial assets	Reserves for first-time application of the new Spanish chart of accounts	Treasury shares	Profit (Loss) for the year	Equity
Balance at December 31, 2014	215,808	1,324,672	46,408	5,335	11,885	13,939	3,116	1,495	86,983	(1,282,848)	22,35	6,673	(0,156)	(912,696)	(540,970)
I. Total recognized income and expense															
1. Profit (loss) for the year														(5,162)	(5,194)
2. Valuation of financial instruments											(22,272)	(32)			(22,272)
II. Transactions with shareholders or owners															
1. Capital increases															
- Share Capital	19,200														19,200
- Share Premium		42,627													42,627
2. Conversion of financial liabilities into equity															
3. Issuance of equity instruments															
4. Conversion of equity instruments into shareholder's equity															
5. Distribution of 2014 profit															
- Loss from previous years															
6. Treasury share transactions															
- Delivery of treasury shares							(2,977)		2,977				2,977		2,977
- Purchase of treasury shares							2,465		(2,465)				(2,465)		(2,465)
- Sales of treasury shares															
- Provision for treasury shares							(238)						238		
III. Other changes in equity															
- Other									75,973				75,973		75,973
Balance at December 31, 2015	235,008	1,377,299	46,408	5,335	11,885	13,939	2,386	1,495	163,448	(2,095,064)	131	6,673	(2,386)	(5,162)	(430,040)
I. Total recognized income and expense															
1. Profit (loss) for the year														(1,298)	(1,298)
2. Valuation of financial instruments														88	88
II. Transactions with shareholders or owners															
1. Capital increases															
- Share Capital															
- Share Premium															
2. Conversion of financial liabilities into equity															
3. Issuance of equity instruments			84,292												84,292
4. Conversion of equity instruments into shareholder's equity															
5. Distribution of 2015 profit															
- Loss from previous years															
6. Treasury share transactions															
- Delivery of treasury shares															
- Purchase of treasury shares															
- Sales of treasury shares															
- Provision for treasury shares															
III. Other changes in equity															
- Other									3,094				3,094		3,094
Balance at December 31, 2016 (Note 8)	235,008	1,377,299	130,700	5,335	11,885	13,939	1,735	1,495	167,319	(2,200,226)	219	6,673	(1,298)	(5,162)	(943,091)

The accompanying Notes 1 to 21 and Appendices I and II are an integral part of the total statement of changes in equity for 2016.

PROMOTORA DE INFORMACIONES, S.A.
STATEMENT OF CASH FLOW FOR 2016
(in thousands of euros)

	2016	2015
A) CASH FLOWS FROM OPERATING ACTIVITIES		
1. Loss for the year before tax	10,121	(77,377)
2. Adjustments for	(45,047)	125,232
a) Depreciation and amortization charge (+)	722	942
b) Impairment of non-current financial assets (+/-)	(62,710)	10,536
Impairment losses recognised for financial assets	(68,005)	3,365
Period provisions for contingencies and charges	5,295	7,171
c) Finance income (-)	(41,069)	(89,123)
d) Finance costs (+)	80,008	140,720
e) Dividends received	(10,579)	(10,058)
f) Income tax	(11,419)	72,215
3. Changes in working capital	79,784	(28,475)
a) Trade and other receivables (+/-)	1,096	14,729
b) Current prepayments and accrued income	1,120	1,009
c) Current financial assets	60,926	45,000
d) Trade and other payables (+/-)	(3,007)	(24,861)
e) Change in deferred taxes (+/-)	19,541	(64,352)
f) Change in non-current assets and liabilities (+/-)	108	-
4. Other cash flows from operating activities	(15,054)	(60,711)
a) Interest paid (-)	(29,015)	(36,057)
b) Dividends received (+)	10,579	10,948
c) Interest received (+)	4,423	6,790
d) Income tax recovered (paid) (+/-)	8,636	(2,299)
e) Other amounts received (paid) relating to operating activities (+/-)	(9,677)	(40,093)
5. Cash flows from operating activities (+/-1+/-2+/-3+/-4)	29,804	(41,331)
B) CASH FLOWS FROM INVESTING ACTIVITIES		
6. Payments due to investment (-)	(65,214)	(113)
7. Proceeds from disposal (+)	34,880	843,899
8. Cash flows from investing activities (7-6)	(30,334)	843,786
C) CASH FLOWS FROM FINANCING ACTIVITIES		
9. Proceeds and payments relating to equity instruments	(1,131)	60,758
10. Proceeds and payments relating to bank borrowings	(120,128)	(784,102)
11. Proceeds and payments relating to borrowings from Group companies	(127,717)	105,288
12. Proceeds and payments relating to other financing activities	-	(2,739)
13. Cash flows from financing activities (+/-9+/-10-11-12)	(248,976)	(620,795)
D) NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS (+/-A+/-B+/-C)	(249,506)	181,660
Cash and cash equivalents at beginning of year	251,215	69,555
Cash and cash equivalents at end of year	1,709	251,215

The accompanying Notes 1 to 21 and Appendix I and II are an integral part of the statement of cash flows for 2016

PROMOTORA DE INFORMACIONES, S.A. (PRISA)

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR 2016

1.- COMPANY ACTIVITIES AND PERFORMANCE

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

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

The Group's consolidated financial statements for 2015 were approved by the shareholders at the Annual General Meeting held on April 1, 2016 and deposited in the Mercantile Register of Madrid.

The consolidated financial statements for 2016 were authorized for issue by the Company's Directors on February 24, 2017.

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

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

b) Evolution of the financial structure of the Company and the Prisa Group

In December 2013, the Company 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.

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 Note 7.2).

The refinancing agreement included a series of commitments to reduce debt for 2015 and 2016, which at December 31, 2015, have been fulfilled in advance (see Note 7.2).

In this period, the company paid off a total of EUR 1,751,385 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%. 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 729,478 thousand, with the funds obtained through the settlement of the sale of 56% of DTS in 2015. In 2015, EUR 621,779 thousand was cancelled: EUR 385,542 thousand corresponded to the credit line obtained in 2013 and additionally, 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. During 2016, EUR 107,699 thousand were cancelled, EUR 88,036 thousand with an average discount of 14.76% and EUR 19,663 thousand at par value.
- EUR 133,133 thousand in 2014, 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 33,096 thousand in 2016, with the funds obtained from the increase in capital subscribed by International Media Group, S.à.r.l. by the end of 2015, at an average discount of 23.2%.
- EUR 11,512 thousand in 2015, with funds from the sale of the trade publishing business in 2014.

Additionally, on April 1, 2016 the Shareholders’ General Meeting of Prisa approved the bonds issue, mandatorily convertible into newly issued ordinary shares, through the conversion of financial debt of the Company. The issue of the bonds has been subscribed in April through debt cancellation for an amount of EUR 100,742 thousand (see notes 7.2 and 8).

This transaction made a significant contribution to re-establishing Prisa’s equity, 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 7.2).

At December 31, 2016, 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 159,176 thousand, more than two thirds of total share capital.

The next relevant financial commitment is to fall due in 2018, when Tranche 2 falls due (*see note 7.2*). The Company is studying several options to meet these objectives such as the total or partial sale of assets, buying back debt at a discount in the market, leveraging operating assets and carrying out other corporate transactions.

c) Other significant operations

In the first half of 2016, the two pending adjustments in relation to the final price of the sale of shares of DTS have been resolved in favor of Prisa, which has supposed a cash inflow of EUR 7,170 thousand in February 2016 and EUR 29,173 thousand in May. Following the positive resolutions of these adjustments, the final price of the sale of DTS has been set at EUR 724,554 thousand.

In November 2016, Prisa announced that within the strategic review process initiated by the group, different alternatives was being considered, including, among others, an eventual disposal of all or part of the shares in Grupo Santillana Educación Global S.L. At the date of authorized of these financial statements, the Directors of the Company have not made any decision.

2.- BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS

a) Fair presentation

The accompanying financial statements for 2016, which were obtained from the Company's accounting records, are presented in accordance with the regulatory framework for financial reporting applicable and, in particular, the accounting principles and criteria contained herein, presenting fairly the Company's equity, financial position, and of the results of its operations, the changes in its equity and the cash flows generated by the Company in the year then ended. The regulatory framework for financial reporting applicable considered is:

1. The Commercial Code and other corporate legislation.
2. Royal Decree 1514/2007, of November 16, approving the Spanish National Chart of Accounts and the modifications included through Royal Decree 602/2016 of December 2 and its sectoral adaptations.
3. The obligatory legislation approved by the Institute of Accounting and Auditors of Accounts in development of the Spanish General Chart of Accounts and its complementary norms.
4. Other applicable Spanish legislation.

These financial statements, which were formally prepared by the Company's directors, will be submitted for approval by the shareholders at the Annual General Meeting and it is considered that they will be approved without any changes. The 2015 financial statements were approved by the shareholders at the Annual General Meeting held on April 1, 2016.

b) Comparison of information

In accordance with company legislation, each item of the balance sheet, income statement, statement of changes in net equity and cash flow statement for 2016 is shown with the figure for 2015 for comparison purposes. The notes to the financial statements also include

quantitative information of the previous year, unless an accounting standard specifically establishes otherwise.

c) Non-obligatory accounting principles

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

d) Key issues in the measurement and estimation of uncertainty

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

In the accompanying financial statements for 2016 estimates were occasionally made by executives of the Company in order to quantify certain assets, liabilities, income, expenses and obligations reported herein. These estimates relate basically to the following:

- The measurement of assets to determine the possible existence of impairment losses (*see Notes 4.c and 7*).
- The useful life of property, plant, and equipment, and intangible assets (*see Notes 4a and 4b*).
- The hypotheses used to calculate the fair value of financial instruments (*see Note 7*).
- The assessment of the likelihood and amount of undetermined or contingent liabilities (*see Notes 4i and 12*).
- The estimates made for the determination of future commitments (*see Note 15*).
- The recoverability of deferred tax assets (*see Note 9*).
- Provisions for unissued and outstanding invoices.

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

In 2016, there were no significant changes in the accounting estimates made at the end of 2015.

3.- ALLOCATION OF RESULT

The proposal for the distribution of the Company's loss for 2016 approved by the Company's Directors is the following (in thousands of euros):

	Amount
Basis of appropriation-	
Loss for the year	(1,298)
Distribution-	
At loss from previous years	(1,298)

4.- ACCOUNTING POLICIES

The principal accounting policies applied by the Company in the preparation of the accompanying 2016 and 2015 financial statements were as follows:

a) Intangible assets

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

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

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

b) Property, plant and equipment

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

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

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

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

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

c) Impairment losses

At each reporting date, or whenever it is considered necessary, the Company 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).

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

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

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

d) Financial instruments

As the head of the Group, the Company prepares consolidated financial statements. The 2016 consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRSs) as approved by European Commission Regulations. The main aggregates of the PRISA Group's consolidated financial statements for 2016 prepared in accordance with IFRSs, are as follows:

	Thousands of euros
Total assets	2,126,431
Equity	(336,045)
Loss for the year attributed to the parent company	(67,859)

Financial assets-

Equity investments in Group companies, jointly controlled entities and associates

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

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

Loans and receivables

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

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

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

Held-to-maturity investments

Investments that the Company has the positive intention and ability to hold to the date of maturity. They are carried at amortized cost.

Available-for-sale financial assets

The Company classifies in this category the debt securities and equity instruments of other companies that have not been classified in any of the above categories. Available-for-sale financial assets are recognized at fair value without deducting any transaction costs that might be incurred on disposal. Changes in the fair value are recognized directly in equity until the financial asset is derecognised or becomes impaired, at which time the amount thus recognised is allocated to the income statement. In this sense, there is a presumption that impairment exists if there has been a fall of more than 40 % of the value of the asset or if there has been a decrease of the same extended over a period of a year and a half without recover its value.

Cash and cash equivalents-

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

Financial liabilities-

Loans and payables

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

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

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

Compound financial instruments

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

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

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

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

Derivative financial instruments and hedge accounting-

The Company is exposed to interest rate risk since its bank borrowings and payables to Group companies bear interest at floating rates. In this regard, the Company arranges interest rate hedges, basically through contracts providing for interest rate caps, when the market outlook makes it advisable to do so.

These cash flow hedging derivatives are measured at fair value at the arrangement date. The subsequent changes in the fair value of the effective portion of the hedge are recognized in "*Valuation adjustments*" and are not transferred to the income statement until the losses or gains on the hedged transactions are recognized therein or until the maturity date of transactions. The ineffective portion of the hedge is recognized directly in profit or loss.

Changes in the value of these financial instruments are recognized as finance costs or finance income for the year, since by their nature they do not qualify for hedge accounting.

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.

Treasury shares-

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

e) Losses and gains from discontinued operations

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

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

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

f) Foreign currency transactions

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

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

g) Income tax

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

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

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

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

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

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

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 Company 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.

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

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

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

Royal Decree-Law 3/2016, of 2 December, modified the transitional provision sixteenth (DT 16) of Law 27/2014, of November 27, on Corporate Income Tax, a provision that establishes

the transitional regime applicable to the fiscal reversion of losses for impairment generated in periods before January 1, 2013. Under the new regulations, with effect for tax periods beginning on or after January 1, 2016, the reversal of said losses shall comprise at least equal parts in the tax base corresponding to each of the first five tax periods commencing from that date.

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

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

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

h) Income and expenses

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

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

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

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

i) Provisions and contingencies

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

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

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

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

j) Current/non-current classification

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

k) Related party transactions

Related party transactions are a part of the Company’s normal business activities (in terms of their purpose and terms and conditions). Sales to related parties are carried out on an arm’s length basis. In addition, transfer prices are properly supported and, therefore, the Company's directors consider that there are no significant risks in this item that may give rise to sizeable liabilities in the future. The most significant transactions performed with related companies are of a financial nature.

l) Share-based payments

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

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

m) Provisions for severance payment

In accordance with the legislation in force, the Company is obliged to pay severance payments to those employees with whom, under certain conditions, it terminates their employment relationships. Therefore, severance payments that may be reasonably quantified are recorded as expenditure within the year in which the decision to dismiss is adopted. In 2016 the Company has not recorded any expense in this respect.

n) Equity instruments

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

The bonds issue, mandatorily convertible into shares, approved by the Shareholders' General Meeting of Prisa on April 1, 2016 has been registered as an equity instrument as it is mandatory convertible into a fixed number of shares and don't included any contractual obligation to deliver cash or another financial asset. The fair value of equity instruments to be issued has been registered as an increase in equity in the line "Other equity instruments".

o) Intercompany transactions

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

5.- INTANGIBLE ASSETS

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

2016

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

At December 31, 2016, the Company's fully amortized intangible assets in use amounted to EUR 18,127 thousand (December 31, 2015: EUR 14,635 thousand)

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

2015

The transactions performed in 2015 in the various intangible asset accounts and the related accumulated amortization are summarized as follows (in thousands of euros):

	Balance at 12/31/2014	Additions	Balance at 12/31/2015
Cost-			
Industrial property	60	-	60
Computer software	20,895	15	20,910
Advances and intangible assets in progress	-	66	66
Total cost	20,955	81	21,036
Accumulated amortization-			
Industrial property	(60)	-	(60)
Computer software	(19,097)	(896)	(19,993)
Total accumulated amortization	(19,157)	(896)	(20,053)
Total intangible assets, net	1,798	(815)	983

6.- PROPERTY, PLANT AND EQUIPMENT

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

2016

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

At December 31, 2016, the Company's fully depreciated property, plant and equipment in use amounted to EUR 499 thousand (December 31, 2015: EUR 430 thousand).

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

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

2015

The transactions performed in 2015 in the various property, plant and equipment accounts and the related accumulated depreciation are summarized as follows (in thousands of euros):

	Balance at 12/31/2014	Additions	Disposals	Balance at 12/31/2015
Cost-				
Other fixtures and furniture	441	-	(3)	438
Other items of property, plant and equipment	993	30	-	1,023
Total cost	1,434	30	(3)	1,461
Accumulated depreciation				
Other fixtures and furniture	(256)	(42)	3	(295)
Other items of property, plant and equipment	(339)	(4)	-	(343)
Total accumulated depreciation	(595)	(46)	3	(638)
Total property, plant and equipment, net	839	(16)	-	823

7. FINANCIAL INSTRUMENTS

7.1- FINANCIAL ASSETS

The detail of “*Financial assets*” in the balance sheets at December 31, 2016 and 2015, based on the nature of the transactions, is as follows:

Classes Categories	Thousands of euros							
	Non-current				Current		Total	
	Equity instruments		Loans, derivatives and other		Loans, derivatives			
12/31/16	12/31/15	12/31/16	12/31/15	12/31/16	12/31/15	12/31/16	12/31/15	
Group companies and associates	1,033,891	1,585,717	-	129,851	34,296	46,391	1,068,187	1,761,959
Held-to-maturity investments	-	-	13	13	4,188	65,179	4,201	65,192
Loans and receivables	-	-	-	-	-	36,343	-	36,343
Financial assets available for sale	1,162	1,046	-	-	-	-	1,162	1,046
Total	1,035,053	1,586,763	13	129,864	38,484	147,913	1,073,550	1,864,540

Equity investments in Group companies and associates

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

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

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

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

Additions and transfers

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

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

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

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

Disposals

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

In November 2016, Liberty Acquisition Holdings Virginia, Inc., was liquidated, 100% owned by Promotora de Informaciones, S.A. (*see note 7.2*) retiring its carrying amount for EUR 649.540 thousand and a positive effect of EUR 949 thousand in the income statement.

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

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

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

The contributions have been posted at consolidated values, as set out in applicable accounting regulations, which has generated a positive impact of EUR 6,117 thousand to reserves.

Available-for-sale financial assets

This heading includes Prisa's stake in Mediaset España Comunicación, S.A., which at December 31, 2016 represents 0.031% of this company's equity for a value of 1,162 thousands of euros.

The Company recognises its stake in Mediaset España Comunicación, S.A. at fair value. As the shares in Mediaset España Comunicación, S.A. are listed on the Madrid Stock Exchange, the Company used the listed price at year end (11.15 euros) to calculate the fair value of this investment at December 31, 2016. The increase in fair value of 117 thousand euro was recognised directly in the Company's equity net of tax.

In 2015 the Company sold EUR 14,787,426 shares in Mediaset España representing 3.63% of its share, with an impact on equity of EUR 38,653 thousand on account of the difference between the sale price and the fair value at December 31, 2014 of the stake sold.

2015

The transactions performed in 2015, in this category of financial assets, were summarized as follows (in thousands of euros):

	Balance at 12/31/2014	Additions	Transfers	Disposals	Balance at 12/31/2015
Cost					
Investments in Group companies	2,270,988	412,379	-	(109,929)	2,573,438
Investments in associates	1,176	-	-	-	1,176
Total cost	2,272,164	412,379	-	(109,929)	2,574,614
Impairment losses					
In Group companies	(760,508)	(11,161)	(224,799)	8,701	(987,767)
In associates	(1,098)	(32)	-	-	(1,130)
Total impairment losses	(761,606)	(11,193)	(224,799)	8,701	(988,897)
Group companies and associates	1,510,558	401,186	(224,799)	(101,228)	1,585,717

The most significant operations that took place in 2015 which gave rise to the aforementioned movements were as follows:

In April 2015, a non-monetary contribution was made to the company Prisa Participadas, S.L. involving 100% of the shares owned by Prisa in the company Prisa Radio, S.A (worth EUR 109,929 thousand as of 31.12.2014). The contribution was posted at consolidated values, as set out in applicable accounting regulations, which generated a positive impact of EUR 75,593 thousand to reserves.

On 30 June, 2015, a partner contribution was made for the amount of EUR 226,854 thousand to Prisaprint, S.L. with the aim of re-establishing this company's equity balance, with the amount obtained from the cancellation of the participating loan and transferring the provision for third-party liability to the stake's impairment (EUR 223,927 thousand).

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

The detail of shareholdings by company of “Equity investments in Group companies and associated” at December 31, 2015 (in thousands of euros), was as follows:

ENTITY NAME	CARRYING AMOUNT				ACCUMULATED IMPAIRMENT LOSS
	COST	IMPAIMENT LOSS	IMPAIRMENT REVERSAL	TRANSFERS	
GROUP COMPANIES					
Prisaprint, S.L.	258,031	-	142	(223,923)	(254,958)
Prisa Brand Solutions, S.L.U.	48,080	(659)	-	-	(38,445)
Prisa Tecnología, S.L.	31,467	-	-	-	(31,467)
Promotora de Emisoras, S.L.	10,786	-	-	-	(10,786)
Promotora de Emisoras de Televisión, S.A.	95,405	-	-	-	(95,405)
Diario El País México, S.A. de C.V.	898	-	91	-	(793)
Prisa Noticias, S.L.	96,126	(11,077)	-	-	(53,661)
Promotora General de Revistas, S.A.	3	-	-	-	(3)
Grupo Santillana Educación Global, S.L.	65,826	-	-	-	-
Audiovisual Sport, S.L.	248,062	(170)	-	-	(242,443)
Liberty Acquisition Holdings Virginia, Inc.	649,540	-	-	-	-
Prisa Audiovisual, S.L.U.	3	-	-	-	-
Prisa División Internacional, S.L.	170,339	-	3,417	-	-
Prisa Finance (Netherlands) BV	18	-	-	-	(4)
Prisa Gestión de Servicios, S.L.	3	-	-	-	-
Prisa Participadas, S.L.	259,682	(127)	-	-	(11,485)
Promotora Audiovisual de Colombia PACSA, S.A.	94	-	-	-	-
Promotora de Actividades América 2010, S.L.	10	-	-	-	(10)
Promotora de Actividades Audiovisuales de Colombia, Ltda.	4	-	-	-	(4)
Vertex SGPS, S.A.	639,061	-	5,047	-	(248,303)
Prisa Radio, S.A.	-	-	-	-	-
ASSOCIATE COMPANY					
Canal Club de Distribución de Ocio y Cultura, S.A.	1,176	(32)	-	-	(1,130)
TOTAL INVESTMENT IN GROUP COMPANIES AND ASSOCIATES	2,574,614	(12,065)	8,697	(223,923)	(988,897)

Impairment tests

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

The recoverable amount of each stake is the higher of value in use and the net selling price that would be obtained from the asset.

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

These projections cover the following five years and include a residual value that is appropriate for each business. In order to calculate the present value of these flows, they are discounted at a rate that reflects the weighted average cost of capital employed adjusted for the country risk and business risk. The rate for the most relevant impairment test is from 7.5% to 10.5%.

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

Prisa Noticias, S.L.-

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

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

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

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

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

The discount rate used is 10.25% and the growth rate used is 0.5%.

In accordance with these assumptions and given that the recoverable value of Prisa Noticias was higher than its book price, the impairment corresponding to this investment has been totally cancelled for EUR 53,661 thousand.

Long term loans to Group companies and associates

"Loans to Group companies and associates" includes mainly the loans granted to Group companies and associates, the detail being as follows (in thousands of euros):

Group Company	Type of Loan	Final Maturity	Balance at 12/31/2015	Transfers	Balance at 12/31/2016
Promotora de Emisoras de Televisión, S.A.	Participating	2017	29,052	(29,052)	-
Promotora de Emisoras, S.L.	Participating	2017	41,456	(41,456)	-
Promotora de Actividades América 2010, S.L.	Participating	2017	1,021	(1,021)	-
Promotora Audiovisual de Colombia, S.A.	Financial	2017	320	(320)	-
Prisa Tecnología, S.L.	Participating	2023	57,631	(57,631)	-
Prisa INC	Financial	2017	371	(371)	-
Group companies, total			129,851	(129,851)	-

In 2016, transfers are mainly for contributions to Group companies (*see note 7.1*).

The participating loans earned floating interest which was dependent upon the borrower achieving a certain volume of billings and/or earnings. They also earned interest tied to Euribor plus a market spread.

Current investments in Group companies and associates

Until 2015, the Company pooled all the cash balances of the Prisa Group companies located in Spain through transfers from (to) the banks at which it has demand deposits. The balances in this connection earned and bore interest for the Company at rates tied to Euribor plus a spread.

In 2016, Prisa Group transferred the centralization of the treasury balances of the Group companies in Spain to Prisa Participadas, S.L. for which the initial balances have been assigned from Prisa to Prisa Participadas, S.L.. At December 31, 2015, this heading included EUR 43,456 thousand of balances and interest receivable from Group companies arising from the above-mentioned cash pooling.

This epigraph also includes the portion of the loans to companies of the Group and Associates with maturity within one year and interest accrued pending payment, being the sum of 4,718 thousand euros (EUR 2,935 thousand at December 31, 2015). In addition, at December 31, 2016, this caption includes the tax account receivable with the Group companies for the sum of 29,578 thousand euros.

Other current financial assets

At December 31, 2016, Promotora de Informaciones, S.A. has recognised an amount of EUR 4,188 thousand under this heading corresponding mainly to deposit with reference to the dispute with Indra Sistemas, S.A. (*see note 19*).

At December 31, 2015, Promotora de Informaciones, S.A. recognised an amount of EUR 65,179 thousand under this heading. This corresponds to deposits, eurodeposits and fixed term contracts maturing within one year held by the company with a number of financial institutions, cashed in 2016.

Also included was the amount to be received for the sale of DTS for EUR 36,343 thousand, cashed in 2016 (*see note 1.c*).

7.2. FINANCIAL LIABILITIES

Loans and payables

Classes	Thousands of euros									
	Non-current				Current				Total	
	Bank borrowings		Debts, derivatives and other		Bank borrowings		Loans, derivatives and other			
12/31/16	12/31/15	12/31/16	12/31/15	12/31/16	12/31/15	12/31/16	12/31/15	12/31/16	12/31/15	
Categories										
Loans and payables	1,544,453	1,751,785	94,171	113,236	212	780	23,866	921,921	1,662,702	2,787,722
Liabilities at fair value through profit or loss	-	-	-	-	-	-	-	103	-	103
Total	1,544,453	1,751,785	94,171	113,236	212	780	23,866	922,024	1,662,702	2,787,825

Bank borrowings

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

2016

	Maturity Date	Limit	Draw down amount maturing at short term	Draw down amount maturing at long term
Syndicated Loan Tranche 2	2018	956,512	-	956,512
Syndicated Loan Tranche 3	2019	176,985	-	176,985
Participative Loan (PPL)	2019	439,775	-	439,775
Interest and others	2016-2019	-	212	810
Loan arrangement costs	2019	-	-	(29,629)
Total		1,573,272	212	1,544,453

2015

	Maturity Date	Limit	Draw down amount maturing at short term	Draw down amount maturing at long term
Syndicated Loan Tranche 2	2018	956,512	-	956,512
Syndicated Loan Tranche 3	2019	275,443	-	275,443
Subordinated Loan	2020	31,126	-	31,126
Participative Loan (PPL)	2019	534,439	-	534,439
Interest and others	2015-2019	-	780	1,722
Loan arrangement costs	2019	-	-	(47,457)
Total		1,797,520	780	1,751,785

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

To determine the theoretical calculation of the fair value of the financial debt, and in accordance with accounting standards we used the Euribor curve and the discount factor supplied by the bank and the actual credit risk arising from a report provided by an independent expert regarding the transactions made in the secondary debt market (level 2 variables, estimates based on other observable market methods). Therefore, the fair value of Prisa's financial debt amounts to EUR 1,385,640 thousand at December 31, 2016, according to this calculation.

The methodology followed to calculate the debt has used the secondary market value of Prisa's refinanced debt (composed of the three tranches). This way, the Group's debt is valued at a 10.77% 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 1.b). 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-

Under the refinancing agreement subscribed by the company, the level of Tranche 2 debt was set at EUR 956,512 thousand, following the mandatory cancellation, in May 2015, of the total for Tranche 1 with part of proceeds from the sale of DTS, for an amount of EUR 385,542 thousand, and the sale of the general publishing business.

Therefore Tranche 2 debt has been modified by the following:

- Debt cancellation in an amount of EUR 142,968 thousand in 2015:
 - 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 DTS, 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, debt of EUR 11,512 thousand was paid off.
- Debt cancellation in an amount of EUR 50,285 thousand debt during 2016 with part of the proceeds from the sale of 56% of DTS and from the favourable resolution of the price adjustment, at an average discount of 15.7%.
- 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 and EUR 50,285 thousand in 2016.

Tranche 2 falls due in 2018. The Company is studying several options to meet these objectives such as the total or partial sale of assets, buying back debt at a discount in the market, leveraging operating assets and carrying out other corporate transactions.

Tranche 3-

The refinancing agreement included a series of commitments to reduce debt by EUR 900,000 thousand in 2015, and by an additional EUR 600,000 in 2016, and, at December 31, 2015, these commitments fulfilled in advance.

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

- Debt cancellation in an amount of EUR 776,675 thousand in 2014:
 - o 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.
 - o Debt was repurchased in an amount of EUR 133,133 thousand, at a discount of 25.00%, with the amount from the capital increase subscribed by Occher.
- Debt cancellation in an amount of EUR 305,405 thousand in 2015:
 - o 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.
 - o 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%.
- Debt cancellation of EUR 57,414 thousand during 2016, with the funds derived from part of the funds collected from the sale of DTS and the favourable resolution of price adjustments, of which EUR 37,751 thousand were cancelled at an average discount of 13.5% and the rest at par.
- 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 and EUR 50,285 thousand of Tranche 3 to Tranche 2 during 2016.
- 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. In 2016, were transferred EUR 4,406 thousands of PPLs to Tranche 3.

Pursuant to the conditions for capitalization of the PIK on Tranche 3, during 2016 debt increased in this regard by EUR 4,835 thousand (EUR 15,511 thousands in 2015).

Following the movements described above, at December 31, 2016, the amount of Tranche 3 stood at EUR 176,985 thousand (EUR 275,443 thousand at December 31, 2015).

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 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.

During 2016, EUR 68,630 thousand of participative loans were cancelled as a result of the subscription of the mandatory convertible bond (*see note 8*). In addition, EUR 33,096 thousand of participative loans were cancelled using part of the funds from the capital increase subscribed in 2015 by International Media Group, S.à.r.l. (for a total amount of EUR 64,000 thousand) at an average discount of 23.20%. In addition, EUR 4,406 thousand were transferred to Tranche 3.

The financial cost of the Participating Loan (PPL) is identical to that for Tranche 3. During 2016 capitalized PIK increased debt by EUR 10,924 thousand (EUR 13,146 thousands in 2015).

The participating loan balance at December 31, 2016 amounted to EUR 439,775 thousand (EUR 534,439 thousand at December 31, 2015).

Compliance with certain financial ratios is established in the financial agreements. The Group's directors consider that these ratios were fulfilled at December 31, 2016.

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., Norprensa, S.A. and Prisa Participadas, S.L.

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 thousand.

Guarantees

In December, 2013, resulting from a new syndicated loan which was repaid early in May, 2015, and the renewal of the remaining loans, Prisa pledged on certain owned bank accounts and, additionally, Bidasoa Press, S.L., Dédalo Grupo Gráfico, S.L. and Distribuciones Aliadas, S.A. constituted pledge on certain properties and 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 Santillana Educación Global, S.L. (75% share capital), in Prisa Radio, S.A. (73,49% share capital) and Grupo Media Capital SGPS, S.A. (84.69% share capital) was also pledged, thereby insuring Tranches 2, 3, and 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 -

During 2016, Prisa's total subordinated debt has been cancelled as holders (HSBC, Caixabank and several companies of Grupo Santander) subscribed the mandatory convertible bond into newly ordinary shares, for an amount of EUR 32,112 thousand (*see note 8*).

This debt originated from interest, known as “coupons”, on the convertible bonds subscribed in 2012 by these entities, in their capacities as the company’s bank lenders. As part of the refinancing process in 2013, these entities 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 agreed to convert the amount of this capitalized interest into subordinated debt.

Payable to Group companies and associates

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

2016

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

2015

	Non-current	Current
Investment tax credits	50,744	-
Other payables	62,492	659,576
Cash pooling	-	262,345
Total	113,236	921,921

Other non-current payables-

Corresponds to the participating loan granted by its subsidiary Prisa Participadas, S.L. for EUR 62,492 thousand.

Other current payables-

In 2015, until the transaction with Liberty Acquisition Holdings Virginia, Inc. was finalized, this account temporarily included the obligation arising from the transfer of EUR 650 million to Promotora de Informaciones, S.A. related to the subsequent integration agreements and capital increase and exchange of shares carried out by the Company in November 2010. In 2016, the said company was liquidated, thus cancelling said amount against the investment made in it (*see note 7.1*).

Investment tax credits-

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

Cash pooling-

At December 31, 2016, this heading included EUR 16,462 thousand of balances and interest payable to Prisa Participadas arising from the above-mentioned cash pooling (*see note 7.4*).

7.3- NATURE AND RISK OF THE FINANCIAL INSTRUMENTS

The Company has the mechanisms necessary to control, based on its financial structure and position and on the economic variables of the industry, exposure to changes in interest and exchange rate fluctuations and credit and liquidity risks, using specific hedging transactions, when necessary.

7.4.- CASH AND CASH EQUIVALENTS-

The balance of the heading *“Cash and cash equivalents”* on the accompanying balance sheet as of December 31, 2016 amounts to EUR 1,709 thousand (EUR 251,215 thousand as of December 31, 2015).

At December 31, 2015 this balance included EUR 55,381 thousand received from the sale of DTS (*see Note 7.2*), as well as the cash inflow for EUR 61,639 thousand from the capital increase subscribed by International Media Group, S.à.r.l, net of costs (*see Note 8*).

In 2016, the Company decided to change the centralization of the Group's treasury, which is headed by Prisa Participadas, S.L. (*see Note 7.1*).

8- EQUITY

The detail of the transactions recognized under *“Equity”* at December 31, 2016 and in 2015 is summarized in the statement of changes in equity.

Share capital

During 2016 the share capital of Prisa has not changed. Warrants 2013 have not been exercised by its owners. On December 31, 2016, 778,200 warrants were pending of exercise.

On December 31, 2016, the share capital of Prisa amounts to EUR 235,007,874 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.

Notwithstanding the above, Prisa has issued bonds mandatorily convertible into newly-issued common shares of Prisa, in accordance with the terms and conditions approved by the Ordinary Shareholders Meeting and the Board of Directors, both held on April 1, 2016 (*see section Issuance of financial instrument*).

On December 31, 2016, the significant shareholders of Prisa, according to information published in the *Comisión Nacional del Mercado de Valores* ("CNMV") and in some cases, information that has been provided by the shareholders to the Company, are the following.

However since some shareholders have not updated in the CNMV the number of voting rights that they hold after the grouping and exchange of shares or reverse split carried out in May 2015, the Company has calculated the estimate number of the voting rights that correspond to such shareholders (Nicolas Berggruen, Banco Santander, S.A, Fundación Bancaria Caixa D'Estalvis I Pensions de Barcelona/ Caixabank, S.A, HSBC Holdings PLC, GHO Networks, 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)
AMBER CAPITAL UK LLP (2)	-	15,107,838	19.29
RUCANDIO, S.A. (3)	-	13,729,811	17.53
TELEFONICA, S.A.	10,228,745	-	13.06
INTERNATIONAL MEDIA GROUP, S.A.R.L (4)	6,400,000	-	8.17
GHO NETWORKS, S.A. DE CV (5)	-	6,297,076	8.04
HSBC HOLDINGS PLC	-	5,845,758	7.46
BANCO SANTANDER, S.A. (6)	34,866	3,246,872	4.19
FUNDACION BANCARIA CAIXA D ESTALVIS I PENSIONS DE BARCELONA	-	2,997,879	3.83
NICOLAS BERGGRUEN (7)	6,115	947,433	1.22

The aforementioned indirect shareholding is held as follows:

Indirect Shareholder's Name	Direct Shareholder's Name	Number of Direct Voting Rights
AMBER CAPITAL UK LLP	AMBER ACTIVE INVERSTORS LIMITED	11,841,366
AMBER CAPITAL UK LLP	AMBER GLOBAL OPPORTUNITIES LIMITED	2,770,893
AMBER CAPITAL UK LLP	AMBER SELECT OPPORTUNITIES LIMITED	495,579
RUCANDIO, S.A.	TIMON, S.A.	264,271
RUCANDIO, S.A.	RUCANDIO INVERSIONES, SICAV, S.A.	11,303
RUCANDIO, S.A.	PROMOTORA DE PUBLICACIONES, S.L.	2,574,964
RUCANDIO, S.A.	ASGARD INVERSIONES, SLU	922,069
RUCANDIO, S.A.	OTNAS INVERSIONES, S.L.	3,100,000
RUCANDIO, S.A.	CONTRATO ACCIONISTAS PRISA	6,857,204
GHO NETWORKS, S.A. DE CV	CONSORCIO TRANSPORTISTA OCCHER, S.A. DE C.V	6,297,076
HSBC HOLDINGS PLC	HSBC BANK PLC	5,845,758
BANCO SANTANDER, S.A.	SOCIEDADES GRUPO SANTANDER	3,246,872
FUNDACION BANCARIA CAIXA D ESTALVIS I PENSIONS DE BARCELONA	CAIXABANK, S.A.	2,997,879
NICOLAS BERGGRUEN	BH STORES IV, B.V	947,433

(1) The percentages of voting rights have been calculated on the total voting rights in Prisa at December 31, 2016 (i.e. 78,335,958).

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

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

Of the 6,297,076 (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.

(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) As of December 31, 2016, GRUPO HERRADURA OCCIDENTE, S.A. DE C.V. (GRUPO HERRADURA) appeared on the CNMV's website as declarant and indirect holder of the shares of CONSORCIO TRANSPORTISTA OCCHER, S.A. DE C.V (OCCHER).

However, it is noted that, in August 2016, GRUPO HERRADURA has been split into two separate entities, one of which, GHO NETWORKS, S.A. DE CV is now the shareholder of OCCHER, replacing GRUPO HERRADURA.

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

Issuance of financial instrument (Other Equity Instruments)

On April 1, 2016 the Shareholders' General Meeting of Prisa approved a bonds issuance, mandatorily convertible into new issue ordinary shares of Prisa, through the conversion of financial debt of the Company. The issuance has been exclusively aimed to certain financial creditors of the Company that have subscribed a total of 10,074,209 bonds through the capitalization of some credits that amount a total of EUR 100,742 thousand. The issue of the bonds has been subscribed in April and it is divided in two tranches (*see note 7.2*):

- Tranche A: amounting to EUR 32,112 thousand subscribed by HSBC Bank Plc., Caixabank, S.A. and several companies of Grupo Santander through the exchange of the total subordinated debt arising from capitalized interest associated with the bond issuance made in 2012.
- Tranche B: amounting to EUR 68,630 thousand subscribed by HSBC of part of the profit participative loans.

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

The issuance of the bond has been registered as an equity instrument as it is mandatory convertible into a fixed number of shares and includes no contractual obligation to deliver cash or another financial asset. At June 30, 2016, there was an increase in shareholders' equity of EUR 82,342 thousand under "*Other equity instruments*" and a financial income of EUR 18,401 thousand in the accompanying income statement at the time of recording the operation at the fair value of the equity instruments to be issued, for which the average cost of the Company's debt has been taken as a reference.

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, 2016 and 2015, is EUR 1,371,299 thousand and is available in full.

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.

Legal reserve-

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

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

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

The balance in 2015 and 2016 of this account at year end amounts to EUR 5,335 thousand.

Reserve for treasury shares-

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

The balance of this account at year end amounts to EUR 1,735 thousand (at December 31, 2015, EUR 2,386 thousand).

Bylaw-stipulated reserves-

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

The balance of this account at year end amounts to EUR 11,885 thousand.

Voluntary reserves-

The Company has recognized an increase in voluntary reserves for EUR 3,871 thousand, due mainly to the non-monetary contributions to Prisa Participadas, S.L. for the amount of EUR 6,117 thousand (see note 7.1) compensated by the accrued annual coupon by the bond issue, mandatorily convertible into shares for EUR 1,950. (see note 8).

Treasury shares

The changes in "Treasury shares" in 2016 and 2015 were as follows:

	Thousands of euros			
	2016		2015	
	Number of shares	Amount	Number of shares	Amount
At beginning of year	457,037	2,386	402,556	3,116
Purchases	-	-	422,457	2,485
Deliveries	(126,630)	(777)	(367,976)	(2,977)
Reserve for treasury shares	-	126	-	(238)
At end of year	330,407	1,735	457,037	2,386

At December 31, 2016, Promotora de Informaciones, S.A. held a total of 330,407 treasury shares, representing 0.422% of its share capital.

Treasury shares are valued at market price at December 31, 2016 (EUR 5.250 per share). Their total cost is EUR 1,735 thousand.

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

Capital management policy

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

During recent financial years, considerable efforts have been made to maintain the level of the Company's equity, such as increasing capital by converting 75,000 thousand warrants into shares in January 2012 for EUR 150,000 thousand, issuing, during the same year, bonds mandatorily converted into shares in July 2014 in an amount of EUR 434,000 thousand, issuing 315,421 thousand of shares to deal with the 202.292 thousand warrants issued as part of Prisa's bank debt refinancing in 2013 and capital increases subscribed by Consorcio Transportista Occher, S.A. de C.V. in 2014, and International Media Group S.à.r.l. in 2015, for EUR 100,000 thousand and EUR 64,000 thousand respectively. In addition during 2016, a bond issuance mandatorily convertible into new issue ordinary shares was subscribed through the conversion of financial debt for amount of EUR 100,742 thousand (*see notes 7.2 and 8*).

Also, in 2015, Prisa 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 Company obtained greater flexibility in the process of debt reduction and an improvement in its liquidity profile (*see note 7.2*). This agreement establishes commitments to maintain leverage ratios and interest cover at specific levels.

Since the signing of the refinancing agreement, the Company has advanced in the debt reduction process using proceeds from the sale of 17.3% of Mediaset España, 56% of DTS and the trade publishing business, as well as with proceeds from the share capital increase subscribed by Occher and with part of proceeds from the capital increase subscribed by International Media Group, S.à.r.l. and with the bonds issuance, mandatorily convertible into shares, through the conversion of financial debt (*see notes 7.2*).

9. TAX MATTERS

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

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

	Thousands of Euros	
	2016	2015
Sum of individual tax bases	95,675	(119,425)
Offset of tax losses arising prior to inclusion in the Group	(3,742)	-
Offset of Group tax losses	(65,013)	-
Consolidated taxable profit (tax loss)	26,920	(119,425)
Consolidated gross tax payable	6,730	-
Double taxation tax credits generated	(3,365)	(2,144)
Investment tax credits	(841)	-
Donations tax credits	(1,490)	-
Net tax payable	1,034	-
Withholdings from tax group	(85)	(61)
Advance payments	(949)	-
Income tax refundable	-	(61)

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

The reconciliation of the income and expenses for the year to the taxable profit (tax profit/loss) used to calculate the income tax expense for 2016 and 2015 is as follows (in thousands of Euros):

	2016			2015		
	Income statement	Items recognised in Equity with tax impact	Total	Income statement	Items recognised in Equity with tax impact	Total
Balance of income and expenses for the year from continue activities	(1,298)	(438)	(1,736)	(1,852)	(2,173)	(4,025)
Income tax *	(20,336)	(146)	(20,482)	(77,262)	(845)	(78,107)
Withholding *	-	-	-	39	-	39
Adjustment of prior years' income tax *	(6,245)	-	(6,245)	(671)	-	(671)
Derecognition of tax credits *	38,000	-	38,000	4,017	-	4,017
Effect of the tax reform change of the tax rate *	-	-	-	1,662	-	1,662
Individual permanent differences *	(85,503)	-	(85,503)	(214,527)	-	(214,527)
Individual temporary differences *	76,787	-	76,787	139,541	-	139,541
Taxable profit	1,405	(584)	821	(149,053)	(3,018)	(152,071)

*This amount is a component of the recognised income tax

The permanent differences correspond mainly to: (i) the different accounting and tax treatment of investment valuation provisions and risks and expenses, which are not tax deductible and generate a negative net decrease of EUR 62,710 thousand, (ii) a negative adjustment of the exemption of dividends, for EUR 10,527 thousand, to which section 21 of the Spanish Corporation Tax Law applies, (iii) a negative adjustment of the tax merger difference corresponding to 2016 (for EUR 14,169 thousand), arising from the merger operation of the companies Promotora de Informaciones, S.A. and Prisa Televisión, S.A.U. (merger by takeover described in Note 17 of the Financial Statement corresponding to 2013), applying the requirements of Article 89.3 of the Tax Law in force at that time to give it tax effect, (iv) a negative adjustment arising from the recovery for tax purposes of one tenth of the amount adjusted in previous years as a result of the limitation of the deductibility of the expense for depreciation/amortisation, for EUR 39 thousand and (v) the contributions made to non-profit organisations for EUR 684 thousand, which generated an expense not deductible from the taxable profit, (vi) a negative adjustment of EUR 18,401 thousand to exclude from the taxable income the accountable income from the issue of the bond described in Notes 7.2 and 8 of the Report by application of the valuation rule of article 17.2 of the Tax Law, (vii) a positive adjustment for the interest expenses of Tax Provisions recorded in the year amounting to EUR 4,466 thousand and (viii) a positive adjustment for the minimum integration into five years of the reversion of impairment losses on the representative values of the holding in the capital of entities that would have been fiscally deductible, established by Royal Decree-Law 3/2016, of December 2, amounting to EUR 15,191 thousand.

The temporary differences originate mainly from (i) the differing accounting and tax treatments of the expense arising from other provisions which generate a decrease of EUR 1,357 thousand, (ii) a positive adjustment for the limitation of the deductibility of financial expenses outlined in article 16 of the aforementioned Income Tax Law, which amounts to EUR 39,214 thousand and (iii) the differing accounting and tax recognition criteria resulting from the derecognitions generated in the year, as described in Note 7.2 of the Report, and in the previous year, as set out by article 11.13 of the Spanish Corporation Tax Law, which entails a positive net integration into the taxable profit of EUR 39,116 thousand.

The regularization of the Corporate Income Tax for previous years mainly reflects the effect of the presentation of the final IS settlement corresponding to the year 2015 and the recording of the Inspection for the years 2009 to 2011.

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

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

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

	2016			2015		
	Income statement	Items recognised in Equity with tax impact	Total	Income statement	Items recognised in Equity with tax impact	Total
Accounting profit (loss) before tax from continue activities	10,121	(584)	9,537	(74,067)	(3,018)	(77,085)
Rate of 25%/28%	2,530	(146)	2,384	(20,739)	(845)	(21,584)
Individual permanent differences and permanent differences on consolidation	(21,376)	-	(21,376)	(26,628)	-	(26,628)
Impact of temporary differences	19,197	-	19,197	39,071	-	39,071
Donations tax credits	1,490	-	(1,490)	-	-	-
Current income tax	(1,139)	(146)	(1,285)	(8,296)	(845)	(9,141)
Deferred income tax	(19,197)	-	(19,197)	(39,071)	-	(39,071)
Deferred Income Tax due to the activation of tax credits by NTA*	-	-	-	(29,856)	-	(29,856)
Deferred Income Tax due to the activation of tax credits by DTD	-	-	-	(39)	-	(39)
Adjustment of prior years' income tax	(6,245)	-	(6,245)	(671)	-	(671)
Loss of tax credits	38,000	-	38,000	4,017	-	4,017
Effect of the tax reform change of the tax rate	-	-	-	1,662	-	1,662
Withholding	-	-	-	39	-	39
Total income tax	11,419	(146)	11,273	(72,215)	(845)	(73,060)

* At rate of 25%

The entity Prisa TV, S.A.U. (A Company taken over by Promotora de Informaciones, S.A.), in the 2011, 2012 and 2013 financial years, availed itself of the deduction for the reinvestment of extraordinary income for the amount of EUR 41,662, EUR 25,786 and EUR 16,127 thousand, respectively, complying with the requirement to reinvest the sale price, 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.

Tax receivables and tax payables

The detail of the balances with Tax Receivables at 31 of December of 2016 is as follows (in thousands of Euros):

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

The detail of the balances with Tax Authorities at 31 of December of 2015 was as follows (in thousands of Euros):

	Receivable		Payable	
	Current	Non-current	Current	Non-current
Income tax refundable/payable	1,464	-	-	-
Deferred tax assets arising from unused tax credits	-	87,655	-	-
Deferred tax assets arising from negative tax losses upon tax consolidation	-	142,818	-	-
Deferred tax assets arising from temporary differences	-	126,028	-	-
Deferred tax liabilities	-	-	-	11,231
VAT, personal income tax withholdings, social security taxes and other	659	-	1,091	-
Total	2,123	356,501	1,091	11,231

Deferred tax assets and liabilities

Deferred tax assets-

The pending long-term credit vis-à-vis the Tax Authorities for an amount of EUR 282,601 thousand at December 31, 2016, recorded under "*Deferred tax assets*" corresponds mainly,

- (i) The amount of the deductions for double taxation and investments (other than deductions for export activities) generated by the tax Group which, even though they have not been applied, are registered in the accounting records. Net variation in this respect for the year has entailed a withdrawal of EUR 18,558 thousand.

- (ii) The taxable losses of the Consolidated Tax Group for the financial years 2011, 2012, 2013 and 2015 (only partially), which are pending application. Net variation in this respect for the year has entailed a withdrawal of EUR 54,254 thousand.
- (iii) The tax credit arising from the limitation of the deductibility of financial expenses, in accordance with the provisions of article 16 of the Corporation Tax Law, in the part corresponding to the Company. Net variation in this respect for the year has entailed an addition of EUR 10,760 thousand.
- (iv) The balance of the amount of the payment of certain tax assessments issued by the tax authorities, which are still the subject of an administrative, or where appropriate, judicial procedure, which the Company has not guaranteed but rather paid. Net variation in this respect for the year has entailed a net withdrawal of EUR 9,952 thousand.

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

	Activated	Non- activated
Year of generation	Amount (thousands of Euros)	Amount (thousands of Euros)
2011	108,589	-
2012	222,735	-
2013	22,934	32,575
2015	-	553,992
TOTAL	354,258	586,567

Once the relevant recoverability analysis was carried out in Tax Group, by applying the criteria of accounting regulations, has derecognised, for accounting purposes, the credits corresponding to deductions for investments for a total amount of EUR 8,367 thousand in the tax group (recorded as an increase in Corporate Tax costs in the other companies of the Tax Group) and to negative tax bases of the fiscal consolidation group amounting to EUR 38,000 thousand (recorded in the Entity as a higher expense for Corporate Tax). These reductions derive mainly from the measures approved by the Royal Decree-Law 3/2016, of 2 December, which introduces a new limitation both on the compensation of negative tax bases and on the application in the tax rate, of double taxation deductions.

Once carried out the aforementioned adjustment, the companies' business plans, together with determined tax planning actions, allow for the recovery of deferred tax assets and liabilities recorded in the balance sheet as of December 31, 2016 within ten years.

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

Year of statute of limitation	ACTIVATED	NON-ACTIVATED
	Amount (Thousands of Euros)	Amount (Thousands of Euros)
2016	61	-
2017	179	-
2018	-	-
2019	-	-
2020	-	-
2021	4	-
2022	329	2,213
2023	655	5,632
2024	420	7,334
2025	13,741	19,023
2026	3,641	6,471
2027	218	3,973
2028	6,501	3,139
2029	1,531	19,209
2030	1,216	3,882
2031	527	720
2032	37	45
2033	-	1,254
No Limits	40,037	7,111
TOTAL	69,097	80,006

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, the estimated future cash flows obtained from the remaining companies 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 and a series of macroeconomic, industry hypotheses for the overall business, in addition to maintaining the leadership position of the Group in the industries in which it operates. Forecasts and studies made by third parties were taken into account during approval.

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

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

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

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

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

In addition, revenue is expected to increase due to repurchasing debt estimating an average discount in accordance with the debt contribution of Prisa at the end of the year. This debt repurchase will come from the remaining cash fund available in the Group at year end as well as from company operations.

Deferred tax liabilities-

The Deferred Tax Liability corresponds to two concepts, firstly (i) it includes the different accounting and tax recognition criteria for the financial income resulting from the derecognitions described in note 7.2 of the Report for an amount of EUR 1,634 thousand and secondly, (ii) it includes the different accounting and tax treatment of the recognition in equity of the adjustment to fair value (listed price) of the share in Mediaset explained in note 7.1 of the Report for an amount of EUR 73 thousand.

Years open to examination by the tax authorities

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

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

In the 2010 financial year, the audits for the consolidated Corporate Income Tax corresponding to the 2003 to 2005 financial years were completed, issuing the corresponding Notice that was signed on a contested basis and that includes a settlement amounting to EUR 20,907 thousand (tax plus interest). Against this act, the Company filed the relevant economic-administrative claims and judicial remedies. In the year, the entity has received a partially estimative judgement that has acquired firmness. At the date of preparation of these annual accounts, execution by the Tax Administration is still pending. The tax debt arising from this decision was paid despite the appeal.

The audit relating to VAT from June 2004 to December 2006 concluded with the issuance of a Notice signed on a contested basis amounting to EUR 5,416 thousand, against which the company filed the claims (a partial resolution has been received from the TEAC and

refunded the Company EUR 704 thousand) and corresponding appeals (the judgment of the National Court was also partially estimative). In the year 2016, the entity has received a firm judgement from the Supreme Court and its effect has been recorded in the accounting year 2016 itself. The tax liability arising from this Notice, despite being appealed, was paid, and was recognized as a long-term credit vis-à-vis the Revenue Authorities, which in the year has been discharged (*see note 12*).

In the 2013 financial year, the tax audits at the consolidated tax Group relating to income tax for 2006 to 2008 were completed, with the issuance of a notice signed on a contested basis, amounting to EUR 9 thousand, which was paid by the Company. Since the Company did not agree with the criteria used in the tax audit relating to the proposed adjustment, it filed an appeal to the Board of Tax Appeals at the TEAC. At the date of preparation of these annual accounts a partial resolution has been received from the TEAC, against which the corresponding administrative and judicial appeal will be filed before the National Appellative Court. The determination agreement included the adjustment by the tax audit of all the tax credits for export activities arising in that period.

With regards to VAT for the period from June 2007 to December 2008, the tax audits concluded during the 2013 financial year with the issuance of two Notices, one for EUR 539 thousand, and the other for EUR 4,430 thousand, have both been the subject of appeal to the Board of Tax Appeals before the TEAC. At the date of preparation of these annual accounts a partial resolution has been received from the TEAC. The tax liability arising from these Notices was paid and was recognized as a long-term credit vis à vis the Revenue Authorities, which in the year has been discharged, and its effect recorded in the accounts (*see note 12*).

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

In 2014, audits began at the consolidated tax Group fiscal 2/91, of which Promotora de Informaciones, S.A. is the parent company, for income tax for the years 2009 to 2011. This audit also included VAT for the period from May 2010 to December 2011 of the consolidated tax Group 105/08 , of which Promotora de Informaciones, S.A. is the parent company, and the 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 the period 2011.

In the fiscal year 2016, the inspections referred to in the previous paragraph were completed.

As regards this inspections, an Act of Compliance of VAT was signed for the sum of EUR 512 thousand, which was paid and registered in the year and another, in Non-compliance, for EUR 7,785 thousand, which, although appealed against, has also been paid and recorded as a credit in the form of an advance, the discharge of which has commenced in the financial year and its effect recorded in the accounts (*see note 12*). Similarly, the inspection actions corresponding to the Corporate Income Tax for the years 2009 to 2011 have been completed, resulting, for Promotora de Informaciones, SA, in the signing of an Act of Non-Compliance with no result to be entered and whose accounting impact for the Entity, has generated the recording of a net income for Corporate Income Tax, amounting to EUR 4,779 thousand. The Company has filed a corresponding economic-administrative complaint with the TEAC disagreeing with these Assessments, which is pending resolution.

The Company, assessing the existence of the Supreme Court's dismissal (relating to the 2004 to 2006 VAT inspection), has proceeded to record the equity effect derived from said Judgement, recognizing and recording a expense of EUR 18,276 thousand.

The provision for taxes (*see note 12*) includes an amount of EUR 20,610 thousand to cover potential unfavorable rulings upheld during the various tax proceedings described above.

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

Transactions under the special regime

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

In addition, such information regarding the operation of a non-monetary contribution made by Promotora de Informaciones, S.A. to the company Prisa Participadas, S.L. involving 100% of the shares owned by Prisa in the companies Prisa Tecnología. S.L., Prisa División Internacional, S.L. y PrisaPrint S.L. and Grupo Santillana de Educación Global, S.L. (*see note 7.1*) is shown in the table below:

	Thousands of Euros	
	Countable	Fiscal
Book and tax value of delivered securities:		
- Prisa Tecnología, S.L.	- (*)	96,574
- Prisaprint, S.L.	3,388	258,030
- Prisa División Internacional, S.L.	170,339	170,339
- Grupo Santillana Educación Global, S.L.	65,826	49,336
Value by which values received have been recorded:		
- Prisa Participadas, S.L.	249,226	590,770

(*) There is a provision for additional risks and expenses, which is not included in the book value, worth 2,376.

The Company is assessing the possibility, within the expected period, of renouncing the special regime of fiscal neutrality and not accepting such a regime for the contribution operation of the stakes in the entity Santillana de Educación Global, S.L. to the company Prisa Participadas, S.L.

In the event of a waiver, the potential surplus value that could arise from the difference between the market value of the transferred shares and their tax value would be exempt from Corporate Income Tax, pursuant to article 21 of the Tax Law.

10.- INCOME AND EXPENSE

Employees

The detail of “*Employee benefits costs*” in the income statements for 2016 and 2015 is as follows (thousands of euros):

	2016	2015
Employer social security costs	691	964
Other employee benefit costs	113	216
Total	804	1,180

The average number of employees in 2016 was 55 and 2015 was 83, all of whom had a permanent employment contract. The detail, by gender and professional category, is as follows:

	2016		2015	
	Men	Women	Men	Women
Executives	11	7	17	6
Middle management	2	6	9	9
Qualified line personnel	6	13	10	21
Other	-	10	-	11
Total	19	36	36	47

The number of employees at December 31, 2016 was 53 and at December 31, 2015 was 77 all of whom had a permanent employment contract. The detail, by gender and professional category, is as follows:

	2016		2015	
	Men	Women	Men	Women
Executives	10	7	15	7
Middle management	2	6	8	8
Qualified line personnel	5	12	8	20
Other	1	10	-	11
Total	18	35	31	46

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

Outside services

The detail of "Outside services" in 2016 and 2015 is as follows:

	Thousands of Euros	
	12/31/2016	12/31/2015
Leases and fees	928	1,057
Repairs and maintenance	297	381
Independent professional services	10,470	9,740
Other outside services	8,067	7,054
Total	19,762	18,232

The "Other external services" includes an expense of EUR 281 thousand corresponding to the liability insurance of directors and administrators.

Fees paid to auditors

The fees for financial audit services relating to the 2016 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 1,684 thousand (2015: EUR 1,530 thousand), of which EUR 180 thousand relate to Pomotora de Informaciones, S.A. (2015: EUR 180 thousand). Also, the fees relating to other auditors involved in the 2016 audit of the various Group companies amounted to EUR 361 thousand (2015: EUR 343 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):

	Amount (thousands of euros)			
	2016		2015	
	Principal auditor	Other audit firms	Principal auditor	Other audit firms
Other verification services	472	22	548	98
Tax advisory services	222	348	396	362
Other services	747	1,189	102	306
Other professional services	1,441	1,559	1,046	766

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

	Amount (thousands of euros)	
	2016	2015
Other verification services	255	281
Tax advisory services	80	146
Other services	418	30
Other professional services	753	457

11.- FINANCIAL LOSS

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

	Thousands of Euros	
	12/31/2016	12/31/2015
Income from temporary financial investments	107	651
Income from loans	1,627	3,806
Other financial income	39,283	83,915
Financial income	41,017	88,372
Interest on debts with Group companies	(2,085)	(5,912)
Interest on debts with third parties	(42,177)	(62,974)
Loan arrangement costs	(17,828)	(59,128)
Other financial expenses	(17,870)	(12,544)
Financial expenses	(79,960)	(140,558)
Change in fair value of financial instruments	-	726
Positive exchange differences	52	25
Negative exchange differences	(49)	(162)
Net exchange differences	3	(137)
Impairment and losses of financial instruments	62,710	(10,536)
Financial outcome	23,770	(62,133)

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

In 2015 , the “*Other finance income*” included capital gains on purchases of debt at a discount (EUR 45,262 thousand) and the income generated for the sale of 3.63% of Mediaset España for an amount of EUR 38,653 thousand for the different between the sale price and the value of the stake sold (*see note 7.1*).

12.- PROVISIONS AND CONTINGENCIES

The changes in “*Provisions and contingencies*” in 2016 are as follows (in thousands of euros):

	Balance at 12/31/2015	Additions	Reversals	Transfers	Disposals	Balance at 12/31/2016
Provision for taxes-	17,800	29,996	-	-	(27,186)	20,610
Provision for litigation in progress	985	-	-	-	-	985
Provisions for third-party liability-	92,350	5,493	(91)	(91,802)	(2,387)	3,564
Total cost	111,135	35,489	(91)	(91,802)	(29,573)	25,158

In the year the "Provision for Taxes" movement (See Note 9) corresponds to (i) the additions, as a consequence of the accounting record derived from the impact of the VAT inspections and the negative equity effect of Corporate Income Tax (ii) and the withdrawals arising from the write-off of the provision against the sum of the positive accounting impact derived from the Corporate Income Tax inspection and from totally applying the balance of the provision to cancel the full amount of the advances recorded for the payment of the VAT reports.

In relation to the heading “*Provision for litigation underway*”, the Company has provisioned EUR 960 thousand corresponding to the Supreme Court ruling dated 13 November 2015 confirming a penalty imposed on Warner Sogefilms, whereby the CNMC will initiate a procedure to determine the amount of the fine. 40% of that amount must be covered by the Company as a result of its merger with Sogecable S.A.

The additions under the heading “*Provisions for third-party liability*” correspond basically to the increases in the provisions established to cover the negative equity of the Prisa Audiovisual, S.L.U. company as of December 31, 2016 (EUR 1,783 thousand) and the increases in the provisions established to Prisa Tecnología S,L. until the moment of its contribution to Prisa Participadas, S.L. (EUR 3,698 thousand).

The withdrawals under the heading “*Provisions for third-party liability*” correspond basically to the withdrawal in the provision established to Prisa Tecnología, S.L. for its contribution to Prisa Participadas, S.L..

The amounts described above have been recognized with a charge to the heading “*Impairment of financial assets*” in the accompanying income statement.

The transfers under the heading “*Provisions for third-party liability*” correspond basically to amounts that have been transferred at a lower value for the stake due to the contribution made to re-establish their balance in subsidiary companies in 2016 (see note 7.1).

13.- SHARE-BASED PAYMENTS

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

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

When the choice of director is partial payment in shares of Prisa, they are delivered quarterly. It is recognized an expense for this item on the income statement for 2016 in the amount of EUR 222 thousand.

The 29,774 shares accrued in this category over that period have not yet been fully delivered.

In December 2016 Prisa delivered 6,515 shares in partial payment of the fixed compensation of external directors for the fourth quarter of 2015. The corresponding expense was entered in the profit and loss account for 2015 in the amount of EUR 45 thousand.

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

In 2016, a part of the annual variable remuneration corresponding to the year 2013 of the Executive President, Mr. Juan Luis Cebrián Echarri, has been settled in shares (which was partially paid in cash in the year 2014 and with PRISA shares in February 2016, according to the terms of his contract). The total amount of the 54,042 shares delivered was recorded as an expense in the amount of EUR 632 thousand in the income statement for the year 2013, although in 2016 there has been an accounting adjustment made after the settlement of this remuneration in the amount of EUR 301 thousand.

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

Pursuant to the terms of his contract with the Company, the Executive President, Mr. Juan Luis Cebrián Echarri, will be entitled to receive a multi-year variable incentive, payable in shares of Prisa, subject to the fulfilment of the strategic objectives to be set by the Board of Directors, for the period 2016-2018. In the profit and loss account for 2016 there is an expense in the amount of EUR 500 thousand in this category.

- Likewise, in April 2016 Mr. Cebrián has received 39,202 shares in settlement of a multiyear variable incentive, which was payable from January 2016. The corresponding accounting expenses were recorded in the income statement of previous years, although in 2016 there has been a lower expense in the amount of EUR 157 thousand for the accounting regularization made after the settlement of this remuneration.
- The Ordinary Shareholders Meeting held on April 28, 2014 authorised a long term incentive of the Company (ILP), whereby a given number of ordinary shares of the Company and a given amount of cash may be delivered to a specific group of executive directors of the Company and key managers of the Group, based on their level of responsibility and contribution to the results of the Group, as variable compensation tied to achievement of long term objectives. The Plan is for a term of three years, from January 1, 2014 to December 31, 2016.

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

In 2016, an amount of EUR 871 thousand has been reversed due to the failure to meet the expected management objectives.

- Pursuant to the terms of his contract with the Company, the executive director Mr. José Luis Sainz is 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. As for the 2014-2016 period, the corresponding provision has been reversed in 2016, since the objectives established have not been met, for the amount of EUR 486 thousand.

14.- GUARANTEE COMMITMENTS TO THIRD PARTIES

At December 31, 2016, Prisa had furnished bank guarantees amounting to EUR 1,690 thousand.

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

15.- FUTURE COMMITMENTS

By virtue of an agreement entered into with Indra Sistemas, S.A. on December 22, 2009, Prisa assumed payment commitments totalling EUR 267,225 thousand with the aforementioned company for the next seven years. In 2012, the scope of the project changed, affecting the service in Latin America and Spain, and certain criteria for the invoicing were modified, while the straight-line in arrears model was replaced with a consumption-based model in several services. As a result of these changes, the amount of the future commitments initially agreed on has also changed.

Invoicing in the years 2010 to 2016 has reached EUR 180,377 thousand and the new future commitments estimated for 2017 amount to EUR 19,241 thousand.

Additionally, from 2013 Indra directly bill each business unit for the expenses associate with the services rendered, and each business unit undertake the payment of the quantities billed. Prisa considers the service used like another business unit.

Past-due payments to creditors-

The information required by the third additional provision of Law 15/2010, of 5 July (mended 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.

As permitted by Sole Additional Provision of the aforementioned Resolution, being this the first year of its application, comparative information is not submitted.

	2016	2015
	<i>Days</i>	<i>Days</i>
Average payment period to suppliers	68	74
Ratio paid operations	62	74
Ratio of outstanding payment transactions	102	73
	<i>Amount (thousands of euros)</i>	<i>ount (thousands of euros)</i>
Total payments	23,862	25,420
Total outstanding payments	3,715	3,443

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

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

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

The maximum legal period of payment applicable in 2016 under Law 3/2004, of 29 December, for combating late payment in commercial transactions, is 60 days. The average period of payment to the Company'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.

16.- RELATED PARTY TRANSACTIONS

The transactions performed with Group companies, associates and related parties in 2016 and 2015 are as follows in thousands of euros:

	12/31/2016		12/31/2015	
	Group companies or entities	Significant shareholders	Group companies or entities	Significant shareholders
Receivables	2,260	75	2,059	-
Financial credits	34,296	-	176,242	36,343
Total receivable accounts	36,556	75	178,301	36,343
Trade payables	310	548	257	636
Financial loans	118,037	514,305	974,377	619,886
Total payable accounts	118,347	514,853	974,634	620,522

The transactions performed with Group companies, associates and related parties in 2016 and 2015 are as follows in thousands of euros:

	12/31/2016			12/31/2015		
	Directors and executives	Group companies or entities	Significant shareholders	Directors and executives	Group employees, companies or entities	Significant shareholders
Services received	-	2,085	15,119	-	5,912	18,194
Finance expenses	90	4,434	1,798	90	2,358	1,914
Other expenses	8,701	-	348	13,029	-	3,612
Total expenses	8,791	6,519	17,265	13,119	8,270	23,720
Finance income	-	1,627	18,401	-	3,806	105
Dividends received	-	10,527	-	-	10,047	-
Other income	-	11,417	-	-	11,262	64
Total revenues	-	23,571	18,401	-	25,115	169

All related party transactions have taken place under market conditions.

The amount of EUR 8,701 thousand relates to the accrued salaries of directors for the amount of EUR 5,185 thousand (*see Note 17*) and executives for the amount of EUR 3,516 thousand.

The Finance income for the amount of EUR 18,401 thousand corresponds to the income generated for the fair value of the bonds issue (*see note 8*).

Remuneration of senior executives-

The total aggregate compensation of members of senior management in 2016, of Promotora de Informaciones, S.A. and other companies in the Group amounts to EUR 3,516 thousand (EUR 6,597 thousand in 2015).

This compensation is the accounting reflection of the overall compensation of executives and therefore do not match with the remuneration accrued in 2016 that is included in the Annual Report of Corporate Governance in which is followed the criteria as required by the CNMV, in the "Circular 7/2015 of the CNMV" and, by references, in the "Circular 4/2013 of the CNMV, whereby the model of annual report remuneration of directors is established", which is not an accounting provision basis.

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 managers: Mr. Fernando Martínez Albacete, Mr. Antonio García-Mon, Ms. Bárbara Manrique de Lara, Ms. Noelia Fernández Arroyo, Mr. Miguel Angel Cayuela Sebastián, Mr. Andrés Cardó Soria, Mr. Manuel Mirat Santiago, Mr. Ignacio Soto Pérez, Ms. Rosa Culler and Ms. Virginia Fernández.

The remuneration of Mr Antonio Alonso Salterain until his resignation as Chief Revenue Officer, in June 2016, is also included within the total compensation of senior management. It has been included the remuneration of Mr. Ignacio Soto from his appointment as Chief Revenue Officer, in July 2016.

The total aggregate remuneration of the members 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 2016, 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 2015 bonus, paid in April 2016.
- Long-term variable (ILP) approved by the Ordinary Shareholders' Meeting held on April 28, 2014, payable in the year 2017 into ordinary shares of the Company and cash: In 2016, the expenditure corresponding to those managers who have met the management objectives has been recorded for the amount of EUR 196 thousand, and the part of those managers who have not met these objectives has been reversed for the amount of EUR 930 thousand.

Transactions between Group companies, associates and related parties-

Income from services rendered corresponds basically to central corporate services.

The detail, by company, of the dividend income paid by Group companies in 2016 and 2015 is as follows in thousands of euros:

	2016	2015
Mediaset España Comunicación, S.A.	52	11
Total Related	10,527	10,047
Vertex, S.G.P.S.	10,500	10,000
Canal Club, S.A.	27	47
Total	10,579	10,058

Transactions between with significant shareholders -

The aggregate amount of EUR 17,265 thousand mainly consists of interest accruing on credits granted by major shareholders to Prisa and expenditure on telephony and Internet by Prisa with Telefónica, S.A.

Transactions with significant shareholders -

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

2016

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

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

2015

	12/31/2015
	Significant shareholders
Financing agreements: capital contributions (see Note 8)	64,000

The amount of EUR 64,000 thousand corresponded to the capital increase subscribed by International Media Group, S.a.r. (see Note 8).

Other transactions with other related parties-

On December 2016, a statement of intent had signed by Fundación Santillana, Prisa and Prisa Noticias, S.L., under which, subject to obtaining the authorizations, Fundación Santillana sells to Prisa Noticias, S.L. its shares of Diario El País, S.L. and Ediciones El País, S.L. These stakes are classed as “founders’ stakes” and confer a raft of special voting rights. In accordance with the valuation of an independence third party, the sale-purchase price is EUR 3,000 thousands.

In connection with this agreement, in 2016 Prisa has paid to the Fundación Santillana, on behalf of Prisa Noticias, S.L., a first payment of EUR 1,000 thousand.

17.- REMUNERATION AND OTHER BENEFITS OF DIRECTORS

In 2016 and 2015, Promotora de Informaciones, S.A. registered the following amounts in respect of remuneration to Board members:

	Thousands of euros	
	12/31/2016	12/31/2015
Fixed remuneration	2,210	2,057
Variable remuneration	978	2,411
Attendance fees	515	392
Bylaw-stipulated directors’ emoluments	1,402	1,225
Other	80	347
Total	5,185	6,432

Note: The above table includes the remuneration of executive directors

Regarding the 2016 financial year:

i) The overall compensation of the Board of Directors includes the remuneration of Ms. Arianna Huffington, Ms. Agnes Noguera Borel, Mr. Borja Pérez Arauna and Mr. Claudio Boada Pallerés, until they ceased as directors in 2016.

ii) The aggregated remuneration of directors reflected in the table above corresponds to the accounting provisions made in the income statement of Promotora de Informaciones, S.A. (Prisa).

iii) Therefore the compensation included in the table above, do not match, in some respects, with the remuneration accrued in 2016 that is included in the Annual Remuneration Report of the Directors (IR) and in the Annual Report on Corporate Governance (IAGC), in which is followed as the criteria required by the CNMV in the "Circular 4/2013 of the CNMV, whereby the model of annual report remuneration of directors is established" which is not the accounting provision basis.

iv) 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 2016, 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 2015 bonus, paid in 2016.
- Multi-year variable incentive of the Executive President, Mr. Juan Luis Cebrián Echarri, payable in shares of Prisa for the period 2016-2018, subject to the fulfilment of the strategic objectives to be set by the Board of Directors: the above table includes the accounting expenses recorded in the income statement of 2016 in the amount of EUR 500 thousand. In the Annual Report on Remuneration of Directors, no amount has been included within the remuneration accrued in the year 2016.
- The following compensations of the Executive Chairman, Mr Juan Luis Cebrián Echarri, settled in shares in 2016, are not included in the table above because the corresponding accounting expense was recorded in the income statement of previous years:
 - Variable multiyear incentive (settled in shares in April 2016). Notwithstanding the accounting regularization in the negative amount of EUR 157 thousand made after the settlement of this compensation, is included in the table above.
 - 2013 annual variable remuneration (which was partially paid in cash in the year 2014 and with PRISA shares in February 2016, according to the terms of his contract).

v) In relation to the long-term variable remunerations of the executive directors Mr Jose Luis Sainz and Mr Manuel Polanco Moreno, the corresponding provision has been reversed in 2016, since the objectives established have not been met, for the amount of EUR 705 thousand.

vi) 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 16 "Related party transactions" of this report.

vii) No other credits, advances or loans occurred, nor were pension obligations incurred, in respect of the Board of Directors during 2016.

18.- 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 2016, the Board of Directors had not been advised of direct or indirect conflict situations that directors or persons related thereto (in accordance with article 231 of the aforesaid Act) might have had with the interests of the Company.

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

Director	Activity	Person related to the Director	Activity
Juan Luis Cebrián Echarri	Director of the following companies: Le Monde, Le Monde Libre and Societe Editrice Du Monde.		
Gregorio Marañón	Chairman of Universal Music Spain, S.L.		
Manuel Polanco Moreno	Joint and Several Director of Canal Club de Distribución de Ocio y Cultura, S.A.		
John Paton	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	Director of Development and Investments of the Lagardère Group's innovation network.
Joseph Oughourlian	<i>See note below (*)</i>		
Shk. Dr. Khalid bin Thani bin Abdullah Al-Thani	Vice Chairman de Dar Al Sharq Printing Publishing & Distribution Co. Vice Chairman de Dar Al Arab Publishing & Distribution Co.		

Director	Activity	Person related to the Director	Activity
Glen Moreno	Senior Advisor for Financial Institutions at HSBC (significant shareholder of PRISA and one of the PRISA creditor banking institutions with which the Company's refinancing was signed). Holder of 30,000 ordinary shares (represented by ADRs) of Pearson Plc.		
Dominique D'Hinnin	0.1% interest in the share capital of Lagardère SCA.		

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

The companies in the Prisa Group are not included in this list. As already indicated in the Annual Corporate Governance Report of the Company, 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 and John Paton.

19.- LITIGATION AND ONGOING CLAIMS

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

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

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

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

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

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

Once the 9 January 2015 judgment became final (as explained below), on 14 September 2015 Mediapro requested that the suspension be lifted and that the proceeding in relation to the interim measures of 8 October 2008 continue. With a judicial order of 28 September 2015, the Court agreed to proceed with the proceedings and, considering the Supreme Court ruling, requested a court-appointed expert to determine the amount of possible damages arising from the adoption of the interim measures, granting a term until February 2017 in which to do so. As a guarantee in that proceeding, the AVS's 50 million euro security remains in deposit at the Court.

In its judgment of 15 March 2010, the Court fully upheld the claim filed by AVS in July, 2007, dismissing the counter-claim brought by Mediapro against AVS, Prisa and TVC. In its judgment, the Court ordered Mediapro to pay AVS more than €95 million by way of outstanding amounts owed to AVS under the provisions of the agreement of 24 July 2006, as well as by way of damages arising from the above mentioned breaches. The judgment also ordered Mediapro to provide AVS with the contracts concluded by the latter with the football clubs and to inform them of the assignment of those contracts in favour of AVS.

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

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

AVS filed an appeal to the highest instance (The Supreme Court), alleging a procedural infringement against the said judgment. The Supreme Court, in its judgment dated 9 January 2015, partially admits the first argument of the Mediapro appeal for procedural

infringement and condemns Mediapro to pay AVS €32 million plus interests (amounts that were duly satisfied during the 2015 tax year).

The Supreme Court judgment enters into the question not solved in the Provincial Court of Madrid in relation to the claim of nullity of the clause fifth of the Agreement dated 24 July 2006. The Supreme Court declares that the ruling of the *Audiencia Nacional* dated 22 May 2013, which is firm and confirms the Ruling of the CNMC dated 14 April 2010 that declares the nullity of the t clause fifth of the Agreement dated 24 July 2006, is contrary to article 1 of the LDC. The consequence is the entire nullity of the Agreement. Moreover, the ruling extends the effects of such nullity to the clause fifth of the Agreement, since all clauses of the agreement tried to restring the competition.

Afterwards, on June 20, 2016 AVS filed a complaint against Mediapro seeking compensation for damages sustained by AVS as a result of Mediapro's unlawful use of its audiovisual rights during the 2007-08 and 2008-09 seasons. Given the fact that the agreement of July 24, 2006 was declared null and void by the Supreme Court and given that during the 2007-08 and 2008-09 seasons Mediapro and AVS commercialized and exploited the audiovisual rights of certain First and Second Division soccer clubs that the clubs had assigned individually and exclusively to either AVS or Mediapro, AVS has filed a complaint in the Barcelona courts seeking to recover from Mediapro the net profits unduly obtained by Mediapro for the exploitation of the audiovisual rights of those clubs whose rights were held by AVS, minus the net profit unduly obtained by AVS from exploitation of the rights of the clubs held by Mediapro. The complaint was accompanied by an expert opinion concluding that the difference between the net profits unduly obtained by AVS and Mediapro shows a balance in AVS's favor in the amount of €85,116,801, that is the amount that AVS is seeking for in the complaint filed on June 20, 2016. Mediapro duly answered the complaint, raising a res judicata defence as its principal procedural position and presenting an expert opinion to counter the conclusions of the expert opinion presented by AVS, and Barcelona Court No. 37 scheduled the pretrial hearing for 29 January 2017. At that hearing the Judge of Court No. 37 set the trial for 7 June 2017.

On the other hand, a complaint was filed on May 12, 2016 at the Civil Trial Court in Colmenar Viejo in which Mediaproducción, S.L.U. and Imagina Media Audiovisual (the "Plaintiffs") have petitioned the court to find AVS and DTS jointly and severally liable for payment of the compensation sought (€89,739,490.18). Plaintiffs allege that Mediapro was forced into proceedings in which it was declared insolvent, having been deliberately placed in a situation of imminent insolvency given that on June 16, 2010 (i) Mediapro was informed that AVS had petitioned the court for the provisional enforcement of the judgment of March 15, 2010 ordering Mediapro to pay AVS 104.6 million euros and (ii) DTS sent Mediapro a letter announcing that it would not continue to comply with the June 4, 2009 contract for the exploitation of audiovisual rights for the League and Cup soccer matches during the 2009-2010, 2010-2011 and 2011-2012 seasons if Mediapro did not provide a bond guaranteeing that if Mediapro failed to fulfill its obligations, Mediapro would proceed to reimburse DTS for the amounts already delivered (thus, DTS announced that it would not pay the €91,200,000 that it owed under the contract). According to Mediapro, the petition for execution of judgment, together with DTS's concerted breach of the June 4, 2009 contract undermined the basis on which Mediapro's financial institutions had been willing to

provide Mediapro with the amounts required to satisfy the compensation demanded by AVS.

Given its imminent insolvency due to the impossibility of paying the compensation and being unable to negotiate an agreement with its financial institutions, on June 16, 2010 Mediapro commenced proceedings to be declared insolvent. In view of the above, Mediapro considers that AVS and DTS intentionally provoked its insolvency and (based on an expert opinion provided) deems the damages incurred by Mediapro and the Imagina Group amount to €89,739,490.18, as a consequence of the declared insolvency.

Both DTS and AVS duly answered Mediapro's complaint, and their pleadings were declared admissible at the First Instance Court No. 82 of Madrid, which scheduled the pretrial hearing for May 25, 2017.

On the other hand, the contract for the sale of shares concluded between the member *Televisió de Catalunya Multimedia, S.L.*, *Televisió de Catalunya, S.A.*, Prisa and AVS on 15 October 2009 also provided for the abandonment of all ongoing court cases in which any of these companies or their legal representatives were parties as defendants. At present, 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.

Finally, Prisa is engaged in a dispute with *Indra Sistemas, S.A.*, ("*Indra*") as a consequence of *Indra's* attempt to unilaterally terminate the Framework Contract of 22 December 2009 to outsource all services related to information technology management and development of R&D+innovation projects (hereinafter, the "*Contract*"), given that *Indra's* termination is unlawful since there has been no material breach of the obligations undertaken in the Contract on the part of Prisa, nor any form of breach that would frustrate the objectives of the Contract.

In consequence, in July, 2016 Prisa filed a provisional remedies petition demanding that Contract Clause 7.3 be applied and seeking injunctive relief prohibiting the defendant *Indra* from interrupting or terminating the fulfillment of its obligations under the Contract prior to the end of the term stipulated in Clause 6, that is, prior to 31 December 2017.

In these judicial proceedings, a hearing was held on 15 July 2016, after which on 20 July 2016 an order was issued granting Prisa the interim relief sought and prohibiting defendant *Indra* from interrupting or terminating the fulfillment of its obligations under the Contract prior to the term stipulated therein, that is, prior to 31 December 2017.

As security for the remedy sought, a bond was posted in cash in the amount of EUR 3,788 thousand, duly deposited in the Court account.

Prisa subsequently commenced ordinary civil proceedings no. 941/2016 at First Instance Court No. 69 in Madrid, as indicated in the application for injunctive relief. In this principal proceeding the declared amount in controversy is EUR 22,728 thousand and, in summary, seeks to have the unilateral termination of the Contract declared unlawful, that it should continue in force until the end of the agreed term of 31 December 2017, and that the

conditions applicable thereunder are the same as those previously applied from 2012 through 2015.

In other respects, Indra commenced ordinary civil proceedings no. 848/2016 against Prisa at First Instance Court No. 4 in Madrid. In these proceedings Indra is seeking to have its 25 May 2016 unilateral termination of the Contract declared lawful, that Prisa be held responsible for the consequences of said termination of contract, and that Prisa has incurred in other instances of breach of contract in addition to those alleged as causes for early termination. Indra is demanding a total of EUR 49,951 thousand.

Prisa filed its answer to that complaint on 16 January 2017, first claiming that its pending proceeding no. 941/2016 described above should result in the suspension of Indra's proceeding no. 848/2016 until the end of the proceeding underway at Court No. 69 (proceeding no. 941/2016), in addition to raising defenses to all of the allegations contained in the complaint.

Indra has applied for joinder of its claim in the proceeding being heard in Court No. 69 in Madrid in a petition filed at that court, which Prisa has opposed and which is currently pending the court's decision.

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

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

20.- EVEN AFTER THE REPORTING PERIOD

No significant events have occurred since December 31, 2016 until the date of approval of these financial statements.

21.- EXPLANATION ADDED FOR TRANSLATION TO ENGLISH

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

DIRECT HOLDINGS

APPENDIX I

INVESTEES	REGISTERED OFFICE	LINE OF BUSINESS	12-31-2016 (In thousands of euros)							
			CARRYING AMOUNT	% OF OWNERSHIP	TAX GROUP	SHARE CAPITAL	RESERVAS	RESULTADO NETO	SHAREHOLDERS' EQUITY	EBIT
Prisa Brand Solutions, S.L.U.	C/ Valentin Beato, 48. Madrid	Contracting of advertising exclusives	9,787	100,00%	2/91	150	9,205	86	9,441	46
Audiovisual Sport, S.L.	Calle Diagonal, 477. Barcelona	Management and distribution of audiovisual rights	-	80,00%	2/91	6,220	804	3,608	10,632	3,660
Prisa Audiovisual, S.L.U.	Gran Vía, 32. Madrid	Holding company	-	100,00%	2/91	3	-	(1,786)	(1,783)	(1,786)
Prisa Gestión de Servicios, S.L.	Gran Vía, 32. Madrid	Management and development of all types of administrative, accounting, financial, personnel selection, human resources and legal	3	100,00%	2/91	3	2	78	83	104
Prisa Participadas, S.L.	Gran Vía, 32. Madrid	Rent of commercial and industrial premises and constitution and management of companies	502,977	100,00%	2/91	71,426	425,998	(22,653)	474,770	(22,392)
Promotora Audiovisual de Colombia PA CSA, S.A.	Calle 70, N° 4-60, T1001. Bogotá, Colombia	Audiovisual and communication activities	94	53,00%	-	177	-	-	177	-
Promotora de Actividades America 2010, S.L.	Gran Vía, 32. Madrid	Production and organization of activities marking the bicentenary of American independence	-	100,00%	2/91	10	(1,778)	(4)	(1,772)	(1)
Promotora de Actividades Audiovisuales de Colombia, Ltda.	Calle 80, 10 23. Bogotá, Colombia	Production and distribution of audiovisual content	-	99,00%	-	420	(351)	-	69	-
Vertix, SGPS, S.A.	Rua Marto Castelhano, n° 40, Queluz de Baixo, Portugal	Holding company	397,901	100,00%	-	268,041	72,050	17,448	357,538	17,719
Diario El País México, S.A. de C.V.	Calle Hermosilla, 112. Madrid	Catalogue sales	42	25,00%	-	60	16	95	172	95
Prisa Noticias, S.L.	Avenida Universidad 767, Colonia del Valle, México D.F., México	Operation of El País newspaper in Mexico	-	97,06%	-	10,043	(7,053)	(1,051)	1,939	(1,083)
Promotora General de Revistas, S.A.	Gran Vía, 32. Madrid	Management and operation of the media	96,126	100,00%	2/91	38,596	(15,094)	60,731	84,233	61,635
Promotora de Emisora, S.L.	Valentin Beato, 48. Madrid	Publication production and operation of magazines	1	99,96%	2/91	1,500	734	549	2,783	798
Promotora de Emisora, S.L.	Gran Vía, 32. Madrid	Radio broadcasting services	23,335	100,00%	2/91	2,500	20,111	751	23,362	613
Promotora de Emisora de Televisión, S.A.	Gran Vía, 32. Madrid	Operation of television channels	3,626	25,00%	2/91	19,061	(5,990)	1,432	14,502	1,542

(*) Grupo de consolidación fiscal Promotora de Informaciones, S.A., 2/91

INDIRECT HOLDINGS

APPENDIX II

INVESTEES	REGISTERED OFFICE	LINE OF BUSINESS	12-31-2016 (in thousands of euros)				
			% OF OWNERSHIP	TAX GROUP (*)	SHARE CAPITAL	SHAREHOLDERS' EQUITY	EBIT
PRISA EDUCACIÓN							
Activa Educa, S.A. (Guatemala)	26 Avenida 2-20 zona 14 . Guatemala - Guatemala	Publishing	75.00%		623	(163)	(442)
Avialia Qualidade Educacional Ltda.	Rua Padre Adelino, 758. Belezinho. Sao Paulo. Brasil	Publishing	71.95%		596	293	314
Distribuidora y Editora Richmond, S.A.	Edificio Punto 99, Carrera 11ª N°98-50 Oficina 501. Bogotá. Colombia	Publishing	75.00%		113	691	589
Ediciones Grazalema, S.L.	Rafael Beca Mateos, 3. Sevilla	Publishing	75.00%	2/91	60	131	(4)
Ediciones Santillana Inc.	1506 Roosevelt Avenue. Guaynabo. Puerto Rico	Publishing	75.00%		1,065	8,840	1,697
Ediciones Santillana, S.A. (Argentina)	Leandro N. Alem. 720. Buenos Aires. 1001. Argentina	Publishing	75.00%		5,316	4,535	4,986
Ediciones Santillana, S.A. (Uruguay)	Juan Manuel Blanes 1132 Montevideo Uruguay	Publishing	75.00%		147	1,096	344
Edicions Obradoiro, S.L.	Ruela de Entrecercos. 2 2º B. 15705. Santiago de Compostela	Publishing	75.00%	2/91	60	76	-
Edicions Voramar, S.A.	Valencia, 44. 46210. Pincaya. Valencia	Publishing	75.00%	2/91	60	91	(3)
Editora Moderna Ltda.	Rua Padre Adelino, 758. Belezinho. Sao Paulo. Brasil	Publishing	75.00%		20,587	45,318	23,852
Editora Pintangua, LTDA	Rua Urbano Santos. 755. Sala 4. Bairro Cumbica. Cidade de Guarulhos. Sao Paulo. Brasil	Publishing	75.00%		28	(9)	(20)
Editorial Nuevo México, S.A. de C.V.	Avenida Rio Mixcoac 274 Col Acacias. México DF. México	Publishing	75.00%		1,287	410	4,047
Editorial Santillana, S.A. (Guatemala)	26 Avenida 2-20 zona 14. Guatemala - Guatemala	Publishing	75.00%		72	7,117	271
Editorial Santillana, S.A. (Honduras)	Colonia los Profesionales Boulevard Suyapa, Metropolis Torre 20501, Tegucigalpa Honduras	Publishing	75.00%		20	4,935	1,913
Editorial Santillana, S.A. (Rep. Dominicana)	Juan Sánchez Ramírez, 9. Gaczué. Santo Domingo. República Dominicana	Publishing	75.00%		118	13,022	5,566
Editorial Santillana, S.A. (Venezuela)	Avenida Rómulo Gallegos. Edificio Zulia 1º. Caracas. Venezuela	Publishing	75.00%		3,127	2,641	1,956
Editorial Santillana, S.A. de C.V. (México)	Avenida Rio Mixcoac 274 Col Acacias. México DF. México	Publishing	75.00%		24,019	14,855	953
Editorial Santillana, S.A. de C.V. (El Salvador)	3a. Calle Poniente Y 87 Avenida Norte, No. 311, colonia Escalon San Salvador	Publishing	75.00%		18	3,113	2,111
Editorial Santillana, S.A.S (Colombia)	Edificio Punto 99, Carrera 11ª N°98-50 Oficina 501. Bogotá. Colombia	Publishing	75.00%		1,676	4,356	-
Educa Inventia, Inc. (Puerto Rico)	1506 Roosevelt Avenue. Guaynabo. Puerto Rico	Publishing	75.00%		783	(1,057)	(773)
Educa Inventia, S.A. de C.V. (México)	Avenida Rio Mixcoac 274 Col Acacias. México DF. México	Publishing	75.00%		4,882	1,679	(3,376)
Educaactiva Ediciones, S.A.S. (Colombia)	Avenida El Dorado No. 90 - 10 Bogotá. Colombia	Publishing	75.00%		113	(173)	(145)
Educaactiva, S.A. (Chile)	Avenida Andrés Bello 2299 Oficina 1001 Providencia. Santiago Chile	Publishing	75.00%		16,527	90	71
Educaactiva, S.A.C. (Peru)	Av. Manuel Olguin Nro. 215 Int. 501/ Los Granados/ Santiago de Surco/ Lima, Perú	Publishing	75.00%		2,589	1,651	(1,458)
Educaactiva, S.A.S. (Colombia)	Avenida El Dorado No. 90 - 10 Bogotá. Colombia	Publishing	75.00%		6,487	2,746	(1,048)
Grupo Pacifico, S.A. (Panamá)	Urbanización Industrial Orillac, Vía Transistmica. Calle Segunda, Local No. 9. Rep. de Panamá.	Publishing	75.00%		40	28	-
Kapelusz Editora, S.A. (Argentina)	Leandro N. Alem. 720. Buenos Aires. 1001. Argentina	Publishing	75.00%		597	(251)	(1,045)

(*) Grupo de consolidación fiscal Promotora de Informaciones, S.A.: 2/91

INDIRECT HOLDINGS

INVESTE	REGISTERED OFFICE	LINE OF BUSINESS	12-31-2016 (in thousands of euros)				
			% OF OWNERSHIP	TAX GROUP (*)	SHARE CAPITAL	SHAREHOLDERS' EQUITY	EBIT
Grup Promotor D'Ensenyament i Difusió en Català, S.L.	Frederic Mompou, 11. V. Olímpica, Barcelona	Publishing	75.00%	2/91	60	94	3
Grupo Santillana Educación Global, S.L.	Av. de los Artesanos, 6 Tres Cantos, Madrid	Publishing	75.00%	2/91	12,018	(28,153)	45,000
Inevery DPS, S.L.	Av. de los Artesanos, 6 Tres Cantos, Madrid	Editorial, cultural, educational, leisure and entertainment	75.00%	2/91	250	512	-
Instituto Universitario de Posgrado, S.A. (en liquidación)	Av. de los Artesanos, 6 Tres Cantos, Madrid	Publishing	46.07%		165	(774)	-
Itaca, S.L.	Av. de los Artesanos, 6 Tres Cantos, Madrid	Book distribution	75.00%	2/91	408	1,342	(100)
Lanza, S.A. de C.V.	Avenida Río Mixcoac 274 Col. Acacias, México DF, México	Creation, development and management of companies	75.00%		13,038	12,418	-
Pleno Internacional, SPA	Avenida Andres Bello N° 2299 Oficina 1001 Providencia - Santiago	Advice and consulting, development and sale of software	52.50%		1	(294)	(176)
Richmond Educação, Ltda.	Rua Padre Adelino, 758, Belem, Sao Paulo, Brasil	Publishing	75.00%		28	40	(25)
Richmond Publishing, S.A. de C.V.	Avenida Río Mixcoac 274 Col. Acacias, México DF, México	Publishing	75.00%		4	2,447	2,447
Salamandra Editorial, Ltda.	Rua Urbano Santos 755, Sala 2- Sao Paulo, Brasil	Publishing	75.00%		28	(5)	(23)
Santillana Administración de Bienes, LTDA	Rua Padre Adelino, 758, Belem, Sao Paulo (Brasil)	Property management	75.00%		1,370	2,138	543
Santillana Canarias, S.L.	Urbanización El Mayorazgo, Parcela 14, 2-7B, Santa Cruz de Tenerife	Publishing	75.00%	2/91	60	62	-
Santillana de Ediciones, S.A. (Bolivia)	Calle 13, N° 8078, Zona de Calacoto, La Paz, Bolivia	Publishing	75.00%		343	3,139	2,495
Santillana del Pacífico, S.A. de Ediciones.	Avenida Andres Bello 2299 Oficina 1001-1002 Providencia, Santiago Chile	Publishing	75.00%		427	5,800	5,294
Santillana Editores, S.A.	R. Mario Caselhamo, 40 - Queluz de Baixo - 2734-502 Barcarena - Portugal	Publishing	75.00%		1,250	814	(253)
Santillana Educación, S.L.	Av. de los Artesanos, 6 Tres Cantos, Madrid	Publishing	75.00%	2/91	7,747	76,472	48,719
Santillana Formación, S.L.	Av. de los Artesanos, 6 Tres Cantos, Madrid	Complementary educational services	75.00%	2/91	300	(97)	(752)
Santillana Global, S.L.	Av. de los Artesanos, 6 Tres Cantos, Madrid	Publishing	75.00%	2/91	2,276	8,616	1,712
Santillana Infantil y Juvenil, S.L.	Av. de los Artesanos, 6 Tres Cantos, Madrid	Publishing	75.00%	2/91	65	2,985	1,011
Santillana Sistemas Educativos, Ltda. (Colombia)	Edificio Punto 99, Carrera 1ª N°98-50 Oficina 501, Bogotá, Colombia	Consultancy services for the obtainment of quality	75.00%		63	1,926	1,712
Santillana Sistemas Educativos, S.L.	Av. de los Artesanos, 6 Tres Cantos, Madrid	Publishing	75.00%	2/91	220	25,400	(11)
Santillana USA Publishing Co. Inc.	2023 NW 84th Avenue, Doral, Florida, EE.UU.	Publishing	75.00%		60,560	(1,270)	643
Santillana, S.A. (Costa Rica)	La Uruca, 200 m Oeste de Aviación Civil, San José, Costa Rica	Publishing	75.00%		465	(214)	411
Santillana, S.A. (Ecuador)	Calle De las Higueras 118 y Julio Arellano, Quito, Ecuador	Publishing	75.00%		978	4,723	4,088
Santillana, S.A. (Paraguay)	Avenida Venezuela, 276, Asunción, Paraguay	Publishing	75.00%		162	1,252	432
Santillana, S.A. (Perú)	Avenida Primavera 2160, Santiago de Surco, Lima, Perú	Publishing	71.25%		3,275	5,177	13,290
Sistemas Educativos de Enseñanza, S.A. de C.V.	Avenida Río Mixcoac 274 Col. Acacias, México DF, México	Publishing	75.00%		11,493	2,337	3,492
Uno Educação Ltda. (Antes Sistemas de Ensino Uno, Ltda.)	Rua Padre Adelino, 758, Belem, Sao Paulo, Brasil	Publishing	75.00%		30,277	12,431	3,883
Vanguardia Educativa Santillana Compartir, S.A. de C.V.	Avenida Río Mixcoac 274 Col. Acacias, México DF, México	Publishing	75.00%		3	548	1,568
Zubia Editoriala, S.L.	Polígono Lezama Leguizamón, Calle 31, Etxebarri, Vizcaya	Publishing	75.00%	2/91	60	94	6

(*) Grupo de consolidación fiscal Promotora de Informaciones, S.A.: 2/91

INVESTE	REGISTERED OFFICE	LINE OF BUSINESS	12-31-2016 (in thousands of euros)			
			% OF OWNERSHIP	TAX GROUP (*)	SHARE CAPITAL	SHAREHOLDERS' EQUITY
PRISA RADIO						
RADIO ESPAÑA						
Antena 3 de Radio de León, S.A.	Gran Vía, 32. Madrid	Operation of radio broadcasting stations	79.64%		135	247
Compañía Aragonesa de Radiodifusión, S.A.	Paseo de la Constitución, 21. Zaragoza	Operation of radio broadcasting stations	77.62%		66	3,464
Ediciones LM, S.L.	Plaza de Cervantes, 6. Ciudad Real	Operation of radio broadcasting stations	40.01%		216	3,857
Cesión de Marcas Audiovisuales, S.A.	Gran Vía, 32. Madrid	Production and recording of sound media	80.00%	2/91	70	732
Iniciativas Radiofónicas de Castilla La Mancha, S.A.	Carreteros, 1. Toledo	Operation of radio broadcasting stations	56.01%		61	141
Iniciativas Radiofónicas, S.A.	Gran Vía, 32. Madrid	Operation of radio broadcasting stations	74.73%		228	451
Ondas Galicia, S.A.	San Pedro de Mezonzo, 3. Santiago de Compostela	Operation of radio broadcasting stations	37.00%		70	299
Prisa Radio, S.A.	Gran Vía, 32. Madrid	Operation of radio broadcasting stations	80.00%	2/91	2,036	135,861
Prisa Radio Perú, S.A.C.	Avda Primavera 2160	Publishing of periodicals and other periodicals	100.00%		4	4
Propulsora Montañesa, S. A.	Pasaje de Peña, Nº 2. Interior. 39008. Santander	Operation of radio broadcasting stations	79.90%		390	2,589
Radio Club Canarias, S.A.	Avenida Anaga, 35. Santa Cruz de Tenerife	Operation of radio broadcasting stations	76.00%		480	4,004
Radio España de Barcelona, S.A.	Caspe, 6. Barcelona	Operation of radio broadcasting stations	79.46%		364	712
Radio Lleida, S.L.	Calle Vila Antonia, Nº 5. Lleida	Operation of radio broadcasting stations	53.07%		300	474
Radio Murcia, S.A.	Radio Murcia, 4. Murcia	Operation of radio broadcasting stations	66.67%		120	1,505
Radio Zaragoza, S.A.	Paseo de la Constitución, 21. Zaragoza	Operation of radio broadcasting stations	70.42%		183	3,138
Sociedad de Estudios de Radio y Televisión, S.A.U. (SERTEL)	C/ Gran Vía, nº 32	Broadcasting services	100.00%		61	96
Sociedad Española de Radiodifusión, S.L.U.	Gran Vía, 32. Madrid	Operation of radio broadcasting stations	100.00%	2/91	6,959	150,107
Sociedad Independiente Comunicación Castilla La Mancha, S.A.	Avenida de la Estación, 5 Bajo. Albacete	Operation of radio broadcasting stations	59.33%		379	832
Societat de Comunicació i Publicitat, S.L.	Parc. de la Mola, 10 Torre Caldea, 6º Escalde. Engordany. Andorra	Operation of radio broadcasting stations	79.46%		30	(1,157)
Sogetable Música, S.L.	Gran Vía, 32. Madrid	Creation, broadcasting, distribution and exploitation of thematic TV channels	80.00%	2/91	1,202	1,459
Sonido e Imagen de Canarias, S.A.	Caldera de Bandama, 5. Arrecife. Lanzarote	Operation of radio broadcasting stations	40.00%		230	1,013
Teleradio Pres, S.L.	Avenida de la Estación, 5 Bajo. Albacete	Media management	60.08%		150	407
Teleser, S.A.	Gran Vía, 32. Madrid	Operation of radio broadcasting stations	63.29%		75	98
Radio Jaén, S.L.	Obispo Aguilar, 1. Jaén	Operation of radio broadcasting stations	28.79%		563	910
Unión Radio del Pirineu, S.A.	Carrer Prat del Creu, 32. Andorra	Operation of radio broadcasting stations	26.40%		249	329

(*) Grupo de consolidación fiscal Promotora de Informaciones, S.A.: 2/91

INDIRECT HOLDINGS

INVESTEE	REGISTERED OFFICE	LINE OF BUSINESS	12-31-2016 (in thousands of euros)				
			% OF OWNERSHIP	TAX GROUP (*)	SHARE CAPITAL	SHAREHOLDERS' EQUITY	EBIT
RADIO INTERNACIONAL							
Abril, S.A.	Eliodoro Yahex, N° 1783, Comuna Providencia Santiago, Chile	Commercial radio broadcasting services and operation of radio stations	80,00%		900	2,750	448
Aurora, S.A.	Eliodoro Yahex, N° 1783, Comuna Providencia Santiago, Chile	Commercial radio broadcasting services and operation of radio stations	80,00%		434	3,167	231
Blaya y Vega, S.A.	Eliodoro Yahex, N° 1783, Comuna Providencia Santiago, Chile	Commercial radio broadcasting services and operation of radio stations	80,00%		2,068	21,602	(50)
Caracol Broadcasting Inc.	2100 Coral Way - Miami 33145 - Florida, EE.UU.	Operation of radio broadcasting stations	79,99%		215	1,358	(337)
Caracol Estéreo, S.A.	Calle 67 N° 7-37 Piso 7 Bogotá, Colombia	Commercial radio broadcasting services	61,63%		3	2,188	1,488
Caracol, S.A.	Calle 67 N° 7-37 Piso 7 Bogotá, Colombia	Commercial radio broadcasting services	61,64%		11	40,009	11,912
Comercializadora Iberoamericana Radio Chile, S.A.	Eliodoro Yahex, N° 1783, Comuna Providencia Santiago, Chile	Production and sale of CD's, advertising promotions and events	79,99%		22,354	34,387	(151)
Compañía de Comunicaciones de Colombia C.C.C. Ltda.	Calle 67 N° 7-37 Piso 7 Bogotá, Colombia	Commercial radio broadcasting services	61,60%		25	2,513	230
Compañía de Radios, S.A.	Eliodoro Yahex, N° 1783, Comuna Providencia Santiago, Chile	Commercial radio broadcasting services	80,00%		313	2,405	(470)
Comunicaciones del Pacífico, S.A.	Eliodoro Yahex, N° 1783, Comuna Providencia Santiago, Chile	Operation and management of TV channels and radio stations	79,99%		481	3,701	1,128
Comunicaciones Santiago, S.A.	Eliodoro Yahex, N° 1783, Comuna Providencia Santiago, Chile	Operation and management of TV channels and radio stations	79,99%		478	2,964	1,315
Consortio Radial de Panamá, S.A.	Urbanización Obarrio, Calle 54 Edificio Caracol, Panamá	Advisory services and commercialisation of services and products	79,99%		8	324	54
Corporacion Argentina de Radiodifusion, S.A.	Beazley 3860, Buenos Aires, Argentina	Operation of radio broadcasting stations	79,91%		843	714	(187)
Ecos de la Montaña Cadena Radial Andino, S.A.	Calle 67, N° 7-37, Piso 7, Bogotá, Colombia	Commercial radio broadcasting services	61,44%		-	609	96
Emisora Mil Veinte, S.A.	Calle 67, N° 7-37, Piso 7, Bogotá, Colombia	Commercial radio broadcasting services	60,58%		-	299	27
Fast Net Comunicaciones, S.A.	Eliodoro Yahex, N° 1783, Comuna Providencia Santiago, Chile	Commercial radio broadcasting services and operation of radio stations	79,99%		2	(3,820)	39
GLR Colombia, Ltda.	Calle 67, N° 7-37, Piso 7, Bogotá, Colombia	Commercial radio broadcasting services	80,19%		263	194	(38)
GLR Chile, Ltda.	Eliodoro Yahex, N° 1783, Comuna Providencia Santiago, Chile	Operation of radio broadcasting stations	80,00%		39,261	88,668	6,260
GLR Services Inc.	Baypoint Office Tower, 4770 Biscayne Blvd., Suite 700 Miami, FL 33550, U.S.A.	Provision of services to radio broadcasting companies	79,99%		4	2,239	1,307
GLR Southern California, LLC	3500 Olive Avenue Suite 250 Burbank, CA 91505, EE.UU.	Provision of services to radio broadcasting companies	79,99%		22,855	(6,015)	(654)
Iberoamerican Radio Holding Chile, S.A.	Eliodoro Yahex, N° 1783, Comuna Providencia Santiago, Chile	Commercial radio broadcasting services and operation of radio stations	80,00%		3,814	(5,532)	(1,072)
Iberoamericana Radio Chile, S.A.	Eliodoro Yahex, N° 1783, Comuna Providencia Santiago, Chile	Commercial radio broadcasting services and operation of radio stations	80,00%		28,708	57,972	6,331
La Voz de Colombia, S.A.	Calle 67, N° 7-37, Piso 7, Bogotá, Colombia	Commercial radio broadcasting services	60,52%		1	584	30
LS4 Radio Continental, S.A.	Rivadavia 835, Ciudad Autónoma de Buenos Aires, Argentina	Radio broadcasting and advertising services	79,97%		5,413	(585)	(1,823)
Promotora de Publicidad Radial, S.A.	Calle 67, N° 7-37, Piso 7, Bogotá, Colombia	Commercial radio broadcasting services	61,63%		1	976	177
Publicitaria y Difusora del Norte Ltda.	Eliodoro Yahex, N° 1783, Comuna Providencia Santiago, Chile	Operation of radio broadcasting stations	79,99%		966	4,815	(403)
Radio Estéreo, S.A.	Rivadavia 835, Ciudad Autónoma de Buenos Aires, Argentina	Radio broadcasting and advertising services	79,97%		391	119	(299)
Radiodifusion Iberoamerican Chile S.A.	Eliodoro Yahex, N° 1783, Comuna Providencia Santiago, Chile	Holding	80,00%		12,600	31,259	(3)

INDIRECT HOLDINGS

INVESTE	REGISTERED OFFICE	LINE OF BUSINESS	12-31-2016 (In thousands of euros)				
			% OF OWNERSHIP	TAX GROUP (*)	SHARE CAPITAL	SHAREHOLDERS' EQUITY	EBIT
Radio Mercadeo, Ltda.	Calle 67, N° 7-37, Piso 7, Bogotá, Colombia	Commercial radio broadcasting services	57.761%		298	385	(4)
Sociedad de Radiodifusión El Litoral, S.L.	Eliodoro Yañez, N° 1783, Comuna Providencia Santiago, Chile	Rental of equipment and advertising sales	80.001%		7	3,971	(41)
Sociedad Radiodifusora del Norte, Ltda.	Eliodoro Yañez, N° 1783, Comuna Providencia Santiago, Chile	Operation of radio broadcasting stations	79.990%		277	955	(20)
W3 Comm Inmobiliaria, S.A. de C.V.	Carretera Libre Jijaua, Enseñada 3100, Rancho Alamirita Blvd Popotla y Camino al FRACC Misión del Mar, Playas de Rosarito, Baja California, EE.UU.	Real estate development services	80.001%		2,348	1,845	7
Cadena Radiodifusora Mexicana, S.A. de C.V.	Calzada de Tlalpan 3000 col Espartaco México D.F. 04870, México	Operation of radio broadcasting stations	40.00%		1,144	9,090	10,607
Cadena Radiópolis, S.A. de C.V.	Calzada de Tlalpan número 3000, Colonia Espartaco, Delegación Coyoacán, Código Postal 04870, Ciudad de México.	Provision of all types of public telecommunications and broadcasting services	40.00%		5	(5)	-
El Dorado Broadcasting Corporation	2100 Coral Way, Miami, Florida, EE.UU.	Development of the Latin radio market in the US	20.00%		196	(1,633)	-
GLR Costa Rica, S.A.	Llorente de Tibás, Edificio La Nación, San José, Costa Rica	Operation of radio broadcasting stations	40.00%		1,020	1,163	17
Green Emerald Business Inc.	Calle 54, Obarrio N° 4, Ciudad de Panamá, Panamá	Development of the Latin radio market in Panama	27.96%		3,986	(6,001)	(707)
Multimedios GLP Chile SPA	Av. Andrés Bello 2325 Piso 9, Providencia	Commercial radio broadcasting services	19.26%		1,044	(43)	(558)
Promotora Radial del Llano, LTDA	Calle 67 N° 7-37 Piso 7 Bogotá, Colombia	Commercial radio broadcasting services	19.260%		1	67	15
QHubo Radio, S.A.S	CL 57 No 17 - 48 Bogotá, Colombia	Operation of radio broadcasting stations	40.00%		120	(235)	(284)
Radio Comerciales, S.A. de C.V.	Rubén Darío n° 158, Guadalupe, México	Operation of radio broadcasting stations	40.00%		639	397	423
Radio Melodía, S.A. de C.V.	Rubén Darío n° 158, Guadalupe, México	Operation of radio broadcasting stations	40.00%		23	205	691
Radio Tapatá, S.A. de C.V.	Rubén Darío n° 158, Guadalupe, México	Operation of radio broadcasting stations	39.59%		78	299	(23)
Radiotelevisora de Mexicali, S.A. de C.V.	Avenida Reforma 1270, Mexicali Baja California, México	Operation of radio broadcasting stations	40.00%		1,760	2,099	-
Servicios Radiópolis, S.A. de C.V.	Calzada de Tlalpan 3000 col Espartaco México D.F. 04870, México	Operation of radio broadcasting stations	40.00%		830	84	2
Servicios Xezz, S.A. de C.V.	Calzada de Tlalpan 3000 col Espartaco México D.F. 04870, México	Operation of radio broadcasting stations	39.592%		2	(4)	(23)
Sistema Radiópolis, S.A. de C.V.	Avenida Vasco de Quiroga 2000, México D.F. México	Operation of radio broadcasting stations	40.00%		9,395	29,671	14,761
W3 Comm Concessionaria, S.A. de C.V.	Carretera Libre Jijaua, Enseñada 3100, Rancho Alamirita Blvd Popotla y Camino al FRACC Misión del Mar, Playas de Rosarito, Baja California, EE.UU.	Advisory services on business administration and organisation	79.59%		6	(403)	164
WSUA Broadcasting Corporation	2100 Coral Way, Miami, Florida, EE.UU.	Radio broadcasting	20.00%		587	(5,027)	135
Xezz, S.A. de C.V.	Rubén Darío n° 158, Guadalupe, México	Operation of radio broadcasting stations	39.59%		39	213	153
MÚSICA							
Gran Via Musical de Ediciones, S.L.	Gran Via, 32, Madrid	Prestación de servicios musicales	100.00%	2/91	3,000	1,650	(1,218)
Merchandising on Stages S.L.	Ulises, 49, 28043, Madrid	Production and/or import of textile articles, jewellery, graphic materials, phonographic recordings, etc.	80.00%	2/91	3	101	(89)
Planet Events, S.A.	Gran Via, 32, Madrid	Production and organisation of shows and events	56.00%	2/91	120	101	(836)
Prisa Música, S.A.	Gran Via, 32, Madrid	Production and organisation of shows and events	75.51%	2/91	712	617	(222)
Prisa Música América, S.A.S.	CALLE 98 N° 18 - 71 OFICINA 401	Production and organisation of shows and events	75.51%		537	34	(99)

(*) Grupo de consolidación fiscal Promotora de Informaciones, S.A.: 2/91

INDIRECT HOLDINGS

INVESTEES	REGISTERED OFFICE	LINE OF BUSINESS	12-31-2016 (In thousands of euros)				EBIT
			% OF OWNERSHIP	TAX GROUP (*)	SHARE CAPITAL	SHAREHOLDERS' EQUITY	
PRENSA							
Agrupación de Servicios de Internet y Prensa, S.L.	Valentín Beato, 44. Madrid	Administrative, technological and legal services and the distribution of written and digital media	100.00%	2/91	1,726	1,180	(723)
As ChileSPA	Eliodoro Yáñez 1783, Providencia, Santiago, Chile	Publication and operation of As newspaper in Chile	75.00%		908	395	(203)
Diario AS Colombia, SAS	Ci 98, nr 1871 Of401, Bogotá D.C.	Publication and operation of As newspaper in Colombia	75.00%		557	107	(203)
Diario As USA, Inc	2100 Coral Way Suite 603, 33145 Miami, Florida	Publication and operation of As newspaper in USA	75.00%		1	271	476
Noticias AS México S.A. de C.V.	México DF	Publication and operation of As newspaper in Mexico	75.00%		658	162	(344)
Diario As S.L.	Valentín Beato, 44. Madrid	Publication and operation of As newspaper	75.00%	2/91	1,400	47,256	4,238
Diario El País Argentina, S.A.	Leandro N. Alem, 720, Buenos Aires, 1001, Argentina	Operation of El País newspaper in Argentina	100.00%		1,164	100	(602)
Diario El País Do Brasil Distribuidora de Publicações, LTDA.	Rua Padre Adelino, 758 Belezinho, CEP 03303-904, Sao Paulo, Brasil	Operation of El País newspaper in Brazil	100.00%		5,871	541	(1,344)
Prisa Noticias de Colombia, SAS. (Anteriormente 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	100.00%		1	1	-
Diario El País, S.L.	Miguel Yuste, 40, Madrid	Holding	100.00%	2/91	4,200	5,818	3,570
Ediciones El País (Chile) Limitada.	Eliodoro Yáñez 1783, Providencia, Santiago, Chile	Publication, operation and sale of El País newspaper in Chile	100.00%		2,971	9	(308)
Ediciones El País, S.L.	Miguel Yuste, 40, Madrid	Publication, operation and sale of El País newspaper	99.99%	2/91	3,306	11,470	8,235
Espacio Digital Editorial, S.L.	Gran Vía, 32, Madrid	Edition and exploitation of Huffington Post digital for Spain	100.00%	2/91	8,501	18,916	719
Estructura, Grupo de Estudios Económicos, S.A.	Miguel Yuste 42, Madrid	Publication and operation of Cinco Dias newspaper	100.00%	2/91	60	20	(108)
Grupo de Medios Impresos y Digitales, S.L.	Gran Vía, 32, Madrid	Documentation services	100.00%	2/91	990	79,131	6,235
Merisatión Magazine, S.L.	Almogaveros 12, Llagostera, Girona	Documentation services	100.00%	2/91	6	49	14
Pressprint, S.L.U.	Valentín Beato, 44, Madrid	Production, printing, publication and distribution of products format	100.00%	2/91	28,000	23,769	(4,301)
Prisa Eventos, S.L.	Miguel Yuste, 40 Madrid	Operation of press media	100.00%	2/91	3	10	12
Betmedia Soluciones, S.L.	Rua de Carrucha, 8, Santa Cruz, 15179 A Coruña	Development, management and operation of websites, platforms and software to perform activities related to the game	25.00%	2/91	6	616	497
Kioskoymás, Sociedad Gestora de la Plataforma Tecnológica, S.L.	Juan Ignacio Luca de Tena, 7, Madrid	Publication and operation of newspapers, magazines in digital format	50.00%		53	(558)	(51)
Le Monde Libre Societé Commandité Simple	17, Place de la Madeleine, Paris	Holding	20.00%		38	(13,407)	(232)

(*) Grupo de consolidación fiscal Promotora de Informaciones, S.A., 2/91

INDIRECT HOLDINGS

INVESTEE	REGISTERED OFFICE	LINE OF BUSINESS	12-31-2016 (In thousands of euros)					
			% OF OWNERSHIP	TAX GROUP (*)	SHARE CAPITAL	SHAREHOLDERS' EQUITY	EBIT	
MEDIA CAPITAL								
Argumentos para Audiovisual, Lda, (CASA DA CRIAÇÃO)	Rua Mário Castelhamo, nº 40, Queluz de Baixo 2734 506 Barcarena, Portugal	Creation, development, translation and adaptation of texts and ideas for television programmes, films, entertainment, advertising and theatre	94,69%		20	11	(59)	
COCO-Companhia de Comunicação, Unipessoal, Lda.	Rua Sampaio e Pina, nº's 24-26 1099 044 Lisboa, Portugal	Radio broadcasting	94,64%		50	72	76	
DRUMS - Comunicações Sonoras, Unipessoal LDA	Rua Sampaio e Pina, nº's 24-26 1070 249 Lisboa, Portugal	Activity of radio broadcasting in the fields of production and broadcasting of programs	94,64%		5	24	8	
Emissões de Radiodifusão, S.A. (RADIO REGIONAL DE LISBOA)	Rua Sampaio e Pina, 24/26, 1099-044, Lisboa, Portugal	Radio broadcasting	94,69%		110	(658)	(371)	
Empresa de Meios Audiovisuais, Lda. (EMAV)	Rua Mário Castelhamo, nº 40, Queluz de Baixo 2734 502 Barcarena, Portugal	Purchase, sale and rental of audiovisual media (cameras, videos, special filming and lighting equipment, cranes, masts, etc.)	94,69%		50	737	899	
Empresa Portuguesa de Cenários, Lda. (EPC)	Rua Mário Castelhamo, nº 40, Queluz de Baixo 2734 502 Barcarena, Portugal	Design, construction and installation of decorating accessories	94,69%		50	(74)	131	
Grupo Media Capital, SGPS, S. A.	Rua Mário Castelhamo nº 40, Queluz de Baixo, Portugal	Production and realization of radio programs and shows, advertising, promotions and representations	94,69%		89,584	85,098	(187)	
Leitrimedia, Produções e Publicidade, LDA	Rua Sampaio e Pina, nº 24-26 1070 249 Lisboa, Portugal	Production and realization of radio programs and shows, advertising, promotions and representations	94,69%		120	6	6	
Media Capital Digital, S.A	Rua Mário Castelhamo, Nº 40, 2734-502, Barcarena, Portugal	Publication, multimedia production, distribution, consultancy, sales (mail order, telephone and other) of goods and services as well as the acquisition, supply, preparation and dissemination of journalism by any means	94,69%		55	(2,417)	(13)	
Media Capital Música e Entretenimento, S.A (MCMME)	Rua Mário Castelhamo, Nº 40, 2734-502, Barcarena, Portugal	Publication, graphic arts and the reproduction of recorded media: magazines, audio publication, video reproduction and the provision of services related to music, the radio, television, film, theatre and literary magazines	94,69%		3,050	(664)	(4)	
Media Capital Produções, S.A. (MCP)	Rua Mário Castelhamo, Nº 40, 2734-502, Barcarena, Portugal	Design, development, production, promotion, sale, acquisition, exploitation rights, recording, distribution and dissemination of audiovisual media	94,69%		45,050	12,468	(19)	
Media Capital Rádios, S.A. (MCR II)	Rua Mário Castelhamo, Nº 40, 2734-502, Barcarena, Portugal	Provision of services in the areas of accounting and financial consultancy; performance of radio broadcasting activities in the areas of the production and transmission of radio programmes	94,69%		192	(10,120)	(5)	
Media Global, SGPS, S.A. (MEGLO)	Rua Mário Castelhamo, Nº 40, 2734-502, Barcarena, Portugal	Holdings	94,69%		37,098	78,469	(377)	
Moliceiro, Comunicacao Social, S.A.	Rua Sampaio e Pina, 24/26, 1070 249 Lisboa, Portugal	Broadcasting activity	94,69%		5	15	6	
CLMC-Multimedia, Unipessoal, Ltda.	Rua Mário Castelhamo, 40, Queluz de Baixo 2734 502 Barcarena, Portugal	Distribution of film activities, video, radio, television, audiovisual and multimedia	94,69%		5	166	7	
NOTIMÁIA-Publicações e Comunicações, S.A	Rua Sampaio e Pina, nº's 24/26 1099 044 Lisboa, Portugal	Radio broadcasting	94,69%		5	32	25	
Penalva do Castelo FM Radiodifusão e Publicidade, Lda.	Rua Sampaio e Pina, nº 24-26 1070 249 Lisboa, Portugal	Broadcasting in production areas and programs transmission	94,69%		5	(81)	35	
Plural Entertainment Espana, S.L.	Gran Via, 32, Madrid	Production and distribution of audiovisual content	94,69%	2/91	6,000	18,251	(80)	
Plural Entertainment Inc.	1680 Michigan Avenue, Suite 730, Miami Beach, EE.UU.	Production and distribution of audiovisual content	94,69%		109	(3,721)	(33)	
Plural Entertainment Portugal, S.A.	Rua Mário Castelhamo, nº 40, Queluz de Baixo 2730 120 Barcarena, Portugal	Production of video and film, organisation of shows, rental of sound and lighting, advertising, sales and representation of registered videos	94,69%		36,650	37,560	(2,092)	
Polimedia - Publicidade e Publicações, Lda.	Rua Sampaio e Pina, nº 24-26 1070 249 Lisboa, Portugal	Broadcasting in production areas and programs transmission	94,69%		5	(76)	13	
PRC Produções Radiofónicas de Coimbra,Lda.	Rua Sampaio e Pina, nº's 24-26 1070 249 Lisboa, Portugal	Cinema production, video and television programs	94,69%		7	(39)	24	
Produção de Eventos, Lda. (MEDIA CAPITAL ENTERTAINMENT)	Rua Mário Castelhamo, Nº 40, 2734-502, Barcarena, Portugal	Publication, graphic art and reproduction of recorded media: magazines, audio publication, video production; and provision of services related to music, radio, television, film, theatre and literary magazines	94,69%		5	(672)	(96)	

(*) Grupo de consolidação fiscal Promotora de Informaciones, S.A.: 2/91

INVESTE	REGISTERED OFFICE	LINE OF BUSINESS	12-31-2016 (In thousands of euros)				
			% OF OWNERSHIP	TAX GROUP (*)	SHARE CAPITAL	SHAREHOLDERS' EQUITY	EBIT
Producciones Audiovisuales, S.A. (NRP IBERICA) Produções Audiovisuais, S.A. (RADIO CIDADE)	Almagro 13, 1º Izquierda, 28010, Madrid Rua Sampaio e Pina, 24/26, 1099-044, Lisboa, Portugal	Inactive Radio broadcasting, production of audio or video advertising spots, Advertising, production and recording of discs, Development and production of radio programmes	94,69% 94,69%		60 50	13 197	- 203
R 2000 - Comunicação Social, Lda. Radio Comercial, S.A. (COMERCIAL) Rádio do Concelho de Cantanhede, Lda. Rádio Litoral Centro, Empresa de Radiodifusão, Lda.	Rua Sampaio e Pina, 24/26, 1070-249, Lisboa, Portugal Rua Sampaio e Pina, 24/26, 1070-249, Lisboa, Portugal Rua Sampaio e Pina, n.ºs 24-26 1099/044 Lisboa, Portugal Rua Sampaio e Pina, 24-2-1099/044 Lisboa, Portugal	Radio broadcasting in the areas of programme production and transmission Radio broadcasting in the areas of programme production and transmission Radio broadcasting in the areas of programme production and transmission Radio broadcasting in the areas of programme production and transmission	94,69% 94,69% 94,69% 94,69%		5 500 5 5	18 4700 63 47	14 3.799 25 13
Rádio Manteigas Radiodifusão, Lda. Rádio Nacional - Emissões de Radiodifusão, Unipessoal Lda. Rádio Sabugal - Radiodifusão e Publicidade, Lda. Rádio Voz de Alcanena, Lda. (RV A)	Rua Sampaio e Pina, n.ºs 24/26 1070/044 Lisboa, Portugal Rua Sampaio e Pina, n.ºs 24-26 1099/044 Lisboa, Portugal Rua Sampaio e Pina, n.ºs 24/26 1070/044 Lisboa, Portugal Rua Sampaio e Pina, n.ºs 24-26 1099/044 Lisboa, Portugal	Radio broadcasting in the areas of programme production and transmission Radio broadcasting in the areas of programme production and transmission Radio broadcasting in the areas of programme production and transmission Radio broadcasting in the areas of programme production and transmission	94,69% 94,69% 94,69% 94,69%		5 5 5 5	(42) 32 (13) 48	10 14 14 17
Rádio XXI, Lda. (XXI)	Rua Sampaio e Pina, 24/26, 1099-044, Lisboa, Portugal	Advisory services, guidance services and operational assistance to public relations companies and organisations	94,69%		5	(1,051)	(988)
Radiodifusko, Lda. (FLOR DO ÉTER)	Rua Sampaio e Pina, n.ºs 24-26 1099/044 Lisboa, Portugal	Radio broadcasting in the areas of programme production and transmission	94,69%		5	34	8
R.C. - Empresa de Radiodifusão, Unipessoal, Lda. Serviços de Consultoria e Gestão, S.A. (MÉDIA CAPITAL SERVIÇOS) Serviços de Internet, S.A. (IOL, NEGÓCIOS)	Rua Sampaio e Pina, n.ºs 24-26 1099/044 Lisboa, Portugal Rua Mário Castelhanho, N.º 40, 2734-502, Barcarena, Portugal Rua Mário Castelhanho, 40, Queluz de Baixo 2734-502 Barcarena, Portugal	Radio broadcasting in the areas of programme production and transmission Services, publication and sale of electronic goods and services Production of multimedia, audiovisual and phonogram storage media	94,69% 94,69% 94,69%		5 100 100	22 249 266	43 149 270
SIRPA, Sociedade de Imprensa Radio Paralelo, Lda. Sociedade de Produção e Edição Audiovisual, Lda (FAROL MÚSICA) Televisao Independente, S.A. (TVI)	Rua Sampaio e Pina, 24/26, 1099-044, Lisboa, Portugal Rua Mário Castelhanho, N.º 40, 2734-502, Barcarena, Portugal Rua Mário Castelhanho, N.º 40, 2734-502, Barcarena, Portugal	Broadcasting in production areas and programs transmission Production of multimedia, audiovisual and phonogram storage media Performance of any TV-related activity such as the installation, management and operation of any TV channel or infrastructure	94,69% 94,69% 94,69%		5 5 15,926	282 (2,094) 55,222	7 25 30,882
Tesela Produções Cinematográficas, S.L. Plural Entertainment Canarias, S.L.	Gran Via, 32, Madrid Dársena Pesquera, Edifício Platô del Atlántico, San Andrés 38180, Santa Cruz de Tenerife	Production and distribution of audiovisual content Production and distribution of audiovisual content	94,69% 94,69%	2/91 2/91	1,034 75	5,645 23	(9) -
Chip Audiovisual, S.A. Factoria Plural, S.L. Productora Canaria de Programas, S.A. Sociedad Canaria de Televisión Regional, S.A.	Cso, 100, Planta 3ª, puerta 4-50001, Zaragoza Calle Biarritz, 2, 50017 Zaragoza Enrique Wolfson, 17, Santa Cruz de Tenerife Avenida de Madrid s/n, Santa Cruz de Tenerife	Audiovisual productions for TV Production and distribution of audiovisual content Development of a promotional TV channel for the Canary Islands Audiovisual productions for TV	7,10% 14,20% 37,88% 37,88%		600 175 601 910	1,602 2,050 1,410 1,250	395 261 2 (44)

(*) Grupo de consolidação fiscal Promotora de Informaciones, S.A.: 2/91

INDIRECT HOLDINGS

APPENDIX II

INVESTE	REGISTERED OFFICE	LINE OF BUSINESS	12-31-2016 (In thousands of euros)			
			% OF OWNERSHIP	TAX GROUP (*)	SHARE CAPITAL	SHAREHOLDERS' EQUITY
LOCAL TELEVISIONS						
Collserola Audiovisual, S.L. (En liquidación)	Plaza Narcís Oller, N.º 6 1.º, 08006, Barcelona	Provision of local television services	92.50%	2/91	85	(12,966)
Málaga Allavision, S.A. (En liquidación)	Paseo de Reding, 7, Málaga	Production and broadcasting of videos and TV programmes	87.24%	2/91	3,465	(2,142)
Productora Audiovisual de Badajoz, S.A.	Ramón Albarán, 2, Badajoz	Provision of local television services	61.45%		498	(1,667)
Productora Extremeña de Televisión, S.A.	J. M. R. "Azorín", Edificio Zeus, Polígono La Corchera, Mérida, Badajoz	Provision of local television services	70.00%		1,202	768

(*) Grupo de consolidación fiscal Promotora de Informaciones, S.A.: 2/91

INDIRECT HOLDINGS

INVESTEES	REGISTERED OFFICE	LINE OF BUSINESS	12-31-2016 (In thousands of euros)				EBIT
			% OF OWNERSHIP	TAX GROUP (*)	SHARE CAPITAL	SHAREHOLDERS' EQUITY	
DIGITAL Infotecnia 11824, S.L. Prisa Tecnología, S.L.	Ronda de Poniente 7, Tres Cantos, Madrid Gran Vía, 32, Madrid	Provision of telecommunications services Provision of internet services	60.00% 100.00%	2/91	40 1,260	119 (11,107)	94 (5,050)
IMPRESIÓN Bidasoa Press, S.L. Dédalo Grupo Gráfico, S.L. Distribuciones Aliadas, S.A. Norpresa, S.A. Prisaprint, S.L.	Calle Maillía Nº 134, 46026, Valencia Carretera de Pinto a Fuenlabrada, Km. 20,8, Madrid Polígono Industrial La Isla, Parcela 53, 41700 Dos Hermanas, Sevilla Parque Empresarial IN-F, Calle Costureiras, s/n 27003, Lugo Gran Vía, 32, Madrid	Printing Publishing Products Printing Publishing Products Printing Publishing Products Printing Publishing Products Management of printing companies	100.00% 100.00% 100.00% 100.00% 100.00%	2/91 2/91 2/91 2/91 2/91	2,047 3 2,100 270 3,000	3,836 1,208 9,047 148 (5,735)	523 307 134 (3) 267
PRISA BRAND SOLUTIONS Prisa Digital Inc. Solomédios, S.A.	2100 Coral Way, Suite 200, Miami, Florida, 33145, EE.UU. C/ Valentin Beato, 48, Madrid	Provision of internet services Advertising management	100.00% 100.00%	2/91	6,892 180	314 190	55 (1)
OTHERS Grupo Latino de Publicidad Colombia, SAS Prisa Inc. Prisa Producciones de Vídeo, S.L. Promotora de Actividades América 2010 - México, S.A. de C.V. Prisaprint, S.L.	Carrera 9, 9907 Oficina 1200, Bogotá, Colombia 2100 Coral Way Suite 200 Miami 33145 U.S.A. Gran Vía, 32, Madrid Avenida Paseo de la Reforma 300, Piso 9, Col. Juárez, 06600, México, D.F., México	Operation and advertising marketing Business Management in USA And North America Production, distribution and audiovisual marketing Development, coordination and management of projects related to the commemoration of the Bicentennial of the Independence of the American nations	100.00% 100.00% 100.00% 100.00%	2/91	215 1,287 3 3	1,699 (436) (1,780) (665)	1,176 (16) (2,365)

(*) Grupo de consolidación fiscal Promotora de Informaciones, S.A.: 2/91

PROMOTORA DE INFORMACIONES, S.A. (PRISA)

Individual Directors' Report for 2016

PROMOTORA DE INFORMACIONES, S.A. (PRISA)

DIRECTOR'S REPORT FOR 2016

1. POSITION OF THE COMPANY

Organizational structure

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

Prisa is the world's leading Spanish and Portuguese-language business group in the fields of education, information and entertainment. Present in 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, regularly visited by 24.9 million unique monthly users (source: comScore Jan-Dec'16) and 122.5 million of unique browsers (Source: Adobe Omniture +Netscape, Jan-Dec'16) 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, Aula Virtual, Loqueleo, WebBooks and Bejob.

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 19.6 million users from throughout the world (Source: comScore, Jan-Dec 16).

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, 47.8% of the readers of this newspaper are from the Americas and 45.9% from Spain. Diario As is a leading daily sports newspaper with 6.2 million individual readers throughout the world including its online publication (Source: comScore, Jan-Dec 16). 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). Currently 52.2% of the daily's users are international.

PRISA Radio is the world's largest Spanish-language radio broadcasting group with nearly 23 million listeners and 6 million unique users online (comScore Jan-Dec'16) 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 structured in two main areas: Radio and Music, with a management model designed to revitalize radio formats, introduce technological innovation and ensure its content is available on all digital platforms. It combines a global presence with a local approach which allows it to optimize exchanges between the different countries and boost the value generation of the Group.

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

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

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 Ficção, +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 Internacional 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.

Since 2015, **Prisa Vídeo** develops and boosts the production, distribution and marketing of video within the group, in entertainment, current affairs, news, fiction and education.

Prisa Vídeo is 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 seventeen directors: three executive directors, four proprietary directors, nine 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, Coordinating Director, Secretary and Deputy 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

In general, the **Group** has gone to great lengths in recent years to clamp down on operating costs. Efforts will remain geared towards controlling costs and capex, channeling available resources to growth areas and towards the new initiatives planned for 2017, in addition to continuing with financial optimization and debt reduction plans.

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 and an improvement in its liquidity profile.

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.

Since the signed of said agreement, the Company made great strides in the execution of the refinancing plan, by repurchasing debt for a total of EUR 1,751.4 million with proceeds from the sale of assets such as Mediaset España and DTS and the capital increase subscribed by Consorcio Transportista Occher, S.A. and International Media Group. These transactions have meant that it has been possible to meet in advance the debt reduction commitments which are part of the refinancing contract.

Additionally, in April 2016 was subscribed an issue of bonds, mandatorily convertible into new issue ordinary shares of Prisa, through the conversion of financial debt of the Company canceling debt amounting to 100.7 million euros.

All these operations have contributed significantly to the strengthening of the Group's capital structure.

In 2017 the Group will continue to reinforce its capital structure, debt reduction and focusing on cash generation.

2. BUSINESS PERFORMANCE

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

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

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

The following tables detail the reconciliation between EBITDA and the Group's profit from operations for each of the segments of 2016 and 2015:

2016-

	Millions of Euros					
	Education	Radio	Press	Audiovisual (Media Capital)	Others	Prisa Group
PROFIT FROM OPERATIONS	98.6	28.2	7.1	33.3	(33.7)	133.5
Depreciations and amortisation charge	55.4	7.8	7.4	8.2	4.4	83.2
Change in operating allowances	14.7	4.6	0.7	0.7	8.4	29.1
Impairment of goodwill	-	0.4	-	-	-	0.4
Impairment of assets	2.2	0.3	-	-	0.2	2.7
EBITDA	170.9	41.3	15.2	42.2	(20.7)	248.9

2015-

	Millions of Euros					
	Education	Radio	Press	Audiovisual (Media Capital)	Others	Prisa Group
PROFIT FROM OPERATIONS	88.7	42.3	(6.5)	31.0	(34.7)	120.8
Depreciations and amortisation charge	59.3	6.8	7.1	9.2	8.2	90.6
Change in operating allowances	15.1	5.8	5.6	0.7	7.2	34.4
Impairment of goodwill	-	-	-	0.4	-	0.4
Impairment of assets	4.0	(0.1)	0.1	0.1	(1.9)	2.2
EBITDA	167.2	54.7	6.4	41.4	(21.3)	248.4

Key highlights for 2016 include:

- Group **operating income** in 2016 amounted to EUR 1,358.0 million (-1.2%) and **EBITDA** to EUR 248.9 million (+0.2%). Both magnitudes were negatively impacted by the evolution of the foreign exchange (FX).
- **Advertising revenue** totaled EUR 483.9 million (-2.8%), with a 0.9% decrease in advertising in Spain (due to the fall of traditional advertising in the press and radio, which is partially offset by online advertising and sponsorship growth) and a 4.0% increase in Portugal (above market growth) for the year 2016. Latin America radio showed difficulties due to macroeconomical and radio advertising industry deceleration, especially in Colombia. Also there is a significant impact due to foreign exchange (FX).
- **Latin America and the US** represented 45.5% of the Group's revenues and 61.0% of EBITDA.
- **Cost cutting** control continued throughout the Group, with resources allocated to growth, mainly in Santillana, Press, Radio and Media Capital. Expenses were down 2.2% affected as well by FX impact.
- **Control of the level of Capex**, mainly associated to less investment in prototypes and digitalization systems (mainly in Mexico, Brazil and Argentina). Also less investment in Radio for the purchase in 2015 of radio stations in Colombia that has not occurred in 2016.
- Operating revenues **in Education**, amounted to EUR 637.5 million (-0.8%), with a negative currency effect of EUR 44.7 million. Excluding the foreign exchange effect, revenues would have increased (+6.1%). EBITDA reaches EUR 170.9 million (+2.2%). Excluding the foreign exchange, EBITDA increases +11.2%, comparing to 2015.

In Latin America, all the campaigns of the most important countries have increased their revenues in constant currency with the exception of Mexico, due to lower institutional sales. It is worth mentioning the behavior of Peru by institutional tender of primary and secondary in the year.

Spain shows operational improvement, despite experiencing a slight drop in revenues, explained by the smaller adoptions in the 2016 campaign compared to the previous year.

Digital Education Systems (UNO and Compartir) continue their expansion in Latin America, growing in the number of students to reach 867,878. UNO and Compartir grew 6.9% in revenues (excluding exchange rates).

- **Radio** operating revenues amounted EUR 301.1 million (-4.4%), with a negative currency effect of EUR 12.8 million, and EBITDA reached EUR 41.3 million (-24.6%) basically due to Latam. Excluding the currency effect, EBITDA decreases -24.2%.

Advertising revenues in Spain decreases -3.5% (digital advertising grows +27.9% while national decreases -1.4%, local advertising declines -3.2% due to the effect of the elections in 2015 and exchange -39.5% by change in the accounting criteria).

According to the EGM, Prisa Radio in Spain maintains its leadership in generalist and musical radio

Latin America in local currency decreases -5.2%. The increase in Chile (+ 5.8%) and in Argentina (+47.4%) after the agreement with Albavisión, does not compensate for the decrease in Colombia (-14.2%) reflecting macroeconomical issues and sector specific difficulties in the country.

- In the **Press** division, income decreases -0.6% at EUR 239.9 million. Digital advertising and events growth offset lower traditional advertising revenues, promotions and circulation. EBITDA increased + 138.1% over the same period last year.

Total advertising revenues grew +3.0% (El País +2.3% and AS +14.2%). Traditional advertising suffered a -9.3% decline, compensated with an excellent performance of digital advertising revenues that increased 15.2% and higher events (+61.5%) associated with the 40th Anniversary. There is also a decrease in promotion revenues (-0.4%). Circulation revenues declined (-4.7%) although less than the newspaper circulation descend, due to an increase in the retail price in El País.

In December 2016, an average of 88.2 million unique browsers and 19.6 million unique users are registered.

- **Media Capital**, operating revenues reached EUR 174.0 million (-0.2%) and EBITDA amounted EUR 42.2 million (+1.9%). Advertising revenue advanced 4.1%, with good performances in TV (+3.6%), radio (+5.8%) and internet (+13.6%) above market performance. Despite the lower production in Spain, the drop in called value-added revenues and the sale of studies in Vialonga (in 2015), they were offset by the increase of advertising revenues and distribution of channels in Pay TV platforms allowing EBITDA to grow above 2015.
- **The Net Bank Debt decreased EUR 173.5 million in the year** and reached EUR 1.486,2 million in December 2016.

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

The following table shows the composition of this indicator for 2016 and 2015:

	Million of euros	
	2016	2015
Non-current bank borrowings	1,653.5	1,907.8
Current bank borrowings	68.5	100.8
Loan arrangement costs	30.1	48.3
Current financial assets (*)	(19.5)	(78.1)
Cash and cash equivalents	(246.4)	(319.0)
NET BANK DEBT	1,486.2	1,659.7

(*) In 2015, Current financial assets exclude 36.3 million euros corresponding to the amount pending of collection in relation with the sale price adjustments of DTS. These adjustments were resolved in favor of Prisa during the first half of 2016.

- Other **key highlights of the 2016** are:
 - **Issuance of mandatory convertible bonds**

As of April 1st of 2016, the General Meeting of Prisa and several of its main creditors have approved an agreement to perform a bonds issue, mandatorily convertible into ordinary shares of Prisa through debt cancellation. On June 22nd, 2016, such issuance formalized in public deed on April 7, has been registered in the trade register of Madrid.

The amount of that issue finally amounts to EUR 100.7 million, divided into EUR 32.1 million Tranche A, underwritten by HSBC Bank Plc., several entities of Santander and CaixaBank Group, SA redeemed all of its participation in the subordinated debt and EUR 68.6 million Tranche B, fully subscribed by HSBC Bank Plc. redeeming part of its shareholder loan.

- **Discounted debt buyback**

As described in note and 7.2 of the accompanying financial statements, during 2016 Prisa has made several discounted debt buyback.

In February 2016, Prisa made a Dutch auction process and agreed to buy back a total of EUR 65.9 million of debt, with an average discount of 16.02% and a total discount of EUR 10.6 million. The funds used for this auction arise from the sales of shares of DTS, Distribuidora de Televisión Digital, S.A., completed on April 30, 2015. Also, with funds of this sale operation, in August 2016 was repayment EUR 22.1 million, with an average discount of 11.0% and a total discount of EUR 2.4 million.

Additionally, in 2016, the Company paid off a total of EUR 33.1 million with with the funds obtained from the increase in capital subscribed by International Media Group, S.à.r.l. by the end of 2015, at an average discount of 23.2% and a total discount of EUR 7.7 million.

- **Canal+ sale**

In the first half of 2016, the adjustments of price of the sale Canal+ to Telefónica have been resolved in favor of Prisa for an amount of EUR 36.3million, so the total price of the transaction has finally amounted to EUR 724.6 million.

○ Acquisition of NORMA (Education)

On September 10, was closed the acquisition of NORMA by Santillana Educación, S.L.. The transaction consists of the acquisition of the shares owned by Carvajal, S.A. in the companies engaged in the education business in Colombia, Argentina, Chile, Guatemala, Mexico, Peru, Puerto Rico and Ecuador, as well as the transfer of certain trademarks linked to the business and the granting of a license over trademarks associated to the NORMA name of Grupo Carvajal. The final price of the operation, after applying the usual adjustments in this type of operations, was COP 51,880.3 million (EUR 14.4 million) and finally Ecuador was excluded from the agreement.

○ Divesting process

As of November 16th, Prisa announces that within the strategic review process initiated by the group, different alternatives are being considered, including, among others, an eventual disposal of all or part of the shares in Grupo Santillana Educación Global S.L., and to that end, the Company has launched the corresponding formal sale process.

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, approved by the

Group's Board of Directors in 2015. The Compliance Unit constituted in 2016 is a support instrument in the communication and fulfillment of the previous objectives and policies.

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).

In relation to face-to-face training in 2016, a transversal coordination effort was made to optimize all business unit training plans in order to improve the satisfaction results and the material reach of all of them.

PRISA CAMPUS is the online training portal for all the Group's employees. It is oriented to the development of our matrix of competencies for employees and to complement the process of sectoral professional reconversion that has been produced by the transformation of the traditional economy of the media into a digital economy. In 2016, it was possible to quantify a total of 1,690 registered students and in total there were 486 students who finished some of the courses and modules offered. Among the new features of the catalog were the following: Introduction to project management, Introduction to innovation and creativity, Introduction to Scrum and Scrum Master, and the Master in Advanced Digital Skills (2nd Edition).

The objective during 2017 will continue to be to increase the training offer to cover the most strategic and urgent needs detected anywhere in the organization, prioritizing three lines of global action: L1, development of leadership skills and teamwork; L2, transverse range digital transformation; L3, retraining and retraining of specific professional groups.

My idea! Is the open innovation platform for all employees to contribute their suggestions, improvement projects and even intellectual property to generate potential patents. The number of users per year reaches 4,701 and the number of spontaneous ideas proposed 340. This tool is aimed at identifying both individual talent and disruptive ideas that can arise from any angle of the organization. In addition, the innovation departments and Change Agents of each business unit are challenging to encourage participation and obtain seed for improvement projects for the Group's business as a whole.

Factoría de Experiencia (FEX) is another initiative to promote the Group's collective intelligence development through the identification of expert employees, who are responsible for providing useful knowledge to the entire organization. It has an online platform, which is accessible to all employees. This platform also integrates the experience and knowledge gained from the most relevant business, organization and technology projects. The number of users already reaches 2,546 users (and the number of pieces of knowledge published is 85).

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 2016, the Joint Prevention Service has focused its activity on the identification of psychosocial risk factors that may pose a risk to the health of workers.

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

Quarterly meetings with all Health and Safety Committees have continued to be held. Emergency evacuation measures have been implemented. In short, ensure at all times the continuous improvement of working conditions.

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 remuneration program that was designed in 2012 during the year 2016 continues to be implemented for companies in Spain with the entire product catalog. In addition, the Group companies in Portugal have a similar remuneration system.

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 2016, in Spain, we have kept our plan to promote a better work-life balance based on five elements and intend to carry it forward to future years:

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

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 7.2 "Financial Liabilities" of the accompanying notes to financial statements of Prisa for 2016 provide a description of the use of financial instruments by the Company.

Contractual commitments

Note 15 "*Future Commitments*" to the 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.

6. PRINCIPAL RISKS ASSOCIATED WITH THE BUSINESS

As head of the Group, the risks to which Prisa is exposed are directly related to those of its subsidiaries.

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 2016, 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 recent years, with forecasts of growth for 2017.

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 the economies.

Venezuela is maintained as the economy with the greatest structural risk in the Latin American region, while Brazil shows signs of stabilization, and is expected that it returns to positive growth rates in 2017. Colombia grew in the year although with risks related to inflation. Chile showed certain signs of acceleration. Mexico showed signs of slowdown due to the result in the American presidential election and Argentina remained immersed in its economic transition process. In general terms, macroeconomic forecasts are showing growths in most of the countries except Venezuela, Ecuador and Puerto Rico.

During 2016, the Group's results in Latin America were negatively affected by the weak exchange rate in the region. The impact of exchange rate volatility has become more moderated during the second half of the year. For 2017, an appreciation of major Latin America currencies is expected (except in Mexico and Argentina) in the comparison with 2016.

Additional deterioration of exchange rates could have an adverse effect on operating results and the 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 those growth expectations in Spain, Portugal and certain Latin American countries were not met and the slowdown in growth or recession in other Latin American countries continued, the outlook for the Group's advertisers could be adversely affected. In view of the large component of fixed costs associated with business with a high component of advertising revenue (mainly Radio, Press and Television), a drop in advertising revenues directly impacts operating profit and therefore the ability to generate cash flow of the Group.

In addition, advertising revenue in the print media is affected by the change in the business model of the sector towards a digital environment.

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 may be affected by various risks typical to investments in countries with emerging economies or under unstable situations, 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 or changes in policies and regulations.

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 negatively 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 the accompanying 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.

In addition, services for managing information technology and developing R&D+innovation projects in some of the companies of the Group are outsourced to Indra Sistemas, S.A. ("Indra"). If these services were not to continue or were transferred to a new services provider, the operations of the Group could be affected.

Financial Risks

Financing risks -

The financial obligations of the Group are described in note 7.2 "*Financial Liabilities*" of the financial statements for 2016.

As is described in that note, in the month of December of 2013 the Group signed a debt refinancing agreement.

From that moment, the company paid off a total of EUR 1,751,385 thousand using the proceeds from the sale of Mediaset España, DTS and the increases in capital subscribed by Consorcio Transportista Occher, S.A. de C.V. and International Media Group, S.r.l. Additionally, during 2016 financial debt was reduced by EUR 100,742 thousand due to the issuance of mandatorily convertible bonds into newly issued ordinary shares of Prisa through conversion of financial debt of the company.

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 for a total amount of EUR 956,512 thousand.

The Group is studying several options to meet these objectives such as the total or partial sale of assets, buying back debt at a discount in the market, leveraging operating assets and carrying out other corporate transactions. These options under study could be insufficient in case the generation of proceeds was not enough or in case the company does not reach an agreement with financial entities.

The value of the Group's assets in possible divestment processes could be affected by changes in financial markets or in the macroeconomic situation of the countries in which the Group operates. In this sense, the value of the assets could be affected by exchange rate depreciations against the euro or by situations of deceleration and volatility in different countries.

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, 2016, the level of the Group net bank debt (EUR 1,486 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 Company-

The equity situation of the Company has been affected in the past by losses from registering the sale agreement of 56% of DTS which led to the automatically converted Tranche 3 debt into participating loans, in order to restore the equity balance, as shown in the Group's financing agreements (*see note 7.2 "Financial Liabilities" in the financial statement of Prisa*).

At December 31, 2016 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 end) stood at EUR 159,176 thousand, which was over two thirds of the share capital.

Additional losses to be registered by the Company could result again in an equity imbalance situation and could imply that the company was in cause for dissolution.

Liquidity Risk-

The adverse macroeconomic situation, with significant drops in advertising and circulation has had 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, 2016, the Group still maintains a net bank debt level of EUR 1,486 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 59.85% of its bank borrowings terms are at variable interest rates, and therefore the Group is exposed to fluctuations in interest rates. Currently the Group has no interest rate hedges arrangements.

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 well as to the changes in tax rules in the different countries in which the Group operates.

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. Businesses like Education and Radio, with international presence, are also sensitive to the foreign exchange evolution. Business operations therefore will be affected by these inputs.

During 2017, growth expectations for Iberia continue, according to IMF (October 2016).

Activities and investments of Prisa in Latin America are exposed to macroeconomical inputs in every country, including potential consumption decline, as a consequence of lower growth rates or even a reduction of the economy.

According to the IMF macroeconomical scenario (October, 2016), in Latin America, growth is expected to continue during 2017, in all of the countries in which Prisa is present, except in Venezuela, Ecuador and Puerto Rico. Brazil will return to growth after two years of descend (it will grow +0.5%) and Argentina will also return to growth (+2.7%).

Economical growth will affect the evolution of the group's businesses. Results will also be affected by the exchange rate evolution. In 2016, results were negatively affected by the weakness of the exchange rate in the region. The impact of exchange rate volatility was higher in 1H of 2016, reducing its effect in the second half of the year. For 2017, an

appreciation of major Latin America currencies is expected (except in Mexico and Argentina) in the comparison with 2016.

Another variable influencing future performance is the advertising cycle. However, Prisa's exposure to the evolution of the advertising market is limited due to the diversification of its income (advertising revenues represent 35.6% of the total revenues of 2016). Advertising-dependent businesses have a high percentage of fixed costs, so the increase in advertising revenues significantly impacts on the results, which implies an improvement of margins and cash position of the Group.

Digital advertising is increasing significantly. Specifically, it increased by 13.0% in 2016 and in the Press Business Unit it now represents 41% of advertising revenue (36% in 2015). It is expected that the growth trend will continue in 2017, according to i2P (October 2016).

During 2016 advertising market grew in Spain +3.1% according to public sources (i2p). The same source estimates for 2017 that growth will continue in the Spanish market with a +2.9% increase.

In Spain, Group's advertising revenues fell -0.9% in 2016, due to lower local advertising in Radio and lower offline advertising in Press. It has been partially offset by the evolution of digital advertising and events. For 2017 it is estimated that advertising revenues will grow in line with market growth expectations and due to the digital advertising evolution and an improvement in Radio's performance.

In Portugal, advertising market evolution suffered a slow down due to the economical situation of the country. In 2016, growth has returned to the market (+1.5% in television, +6% in radio and +8.1% in internet, according to internal sources). In this context, advertising revenues of Media Capital increased by 4.1% over 2015, above market growth. For 2017 it is expected that advertising market will continue to grow, although at a lower rhythm in television and radio. Media Capital expects to grow above market growth.

In Latin America, according to Zenith Optimedia (June 2016), the radio advertising market will fall in 2016 -7.7, at constant exchange rates. Prisa Radio in Latin America fell by -5.2% (lower than market decline) at constant exchange rates, affected by the political, economic and social situation in Colombia, combined with the complicated situation in the advertising Radio industry. By 2017, it is expected a return to growth in Prisa Radio in a market that remains with declines (-2% according to Zenith Optimedia, June 2016), although more moderated than in 2016.

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 2016 contributed 47.2% of the Group's total revenues and 67.5% of its EBITDA. In Latin America, revenues grew by 0.6%, besides the negative currency effect. Excluding the foreign exchange effect, Education increases +9.5% due to Peru's institutional sales, South Area Campaigns growth, and that 2016 is a medium year in the institutional sale cycle of Brazil (2015 was a low year in the cycle). South Area Campaigns evolution, as a whole, has been positive overall in local currency in 2016. North Area Campaigns have fallen -2.3% on constant currency, due to the Spanish campaign (2016 was a year with no renewals) and due to the delay in the Mexican new educational law. On the other hand, Digital Education Systems (UNO & Compartir) continue their expansion in Latin America, improving profitability in local currency and growing in the number of students. The

evolution in 2017, in what refers to Digital Education Systems depends essentially on the recruitment of students in the countries, in the institutional sales and in the Exchange rate evolution. Norma will contribute with growth to the Group, because it accounts in 2017 for the whole year, while in 2016 it started to consolidate in the Group in October (3 months).

Part of the Group's growth for 2017 will rely on digital growth. Digital audience numbers rose sharply (122.5 million unique browsers at December 2016, up 9% from last year). In 2017, the Company will continue its efforts to boost digital growth in all its business lines. Specifically, in Press the focus will remain on fully leveraging the leadership positions of El País and As newspapers, not only in Spain, but also in the American market, in addition to increase the digital video advertising.

In 2017 the Group will continue to reinforce its capital structure, debt reduction and focusing on cash generation.

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.

Throughout 2016, the press unit, through **Prisa Noticias**, continued to drive the video, mobility and content distribution areas on the different market platforms.

EL PAÍS has continued to advance in mobility, focusing particularly on three areas.

In February a new iOS application was launched, which duplicated consumption. These developments, along with those made earlier on Android, improved the experience in such a way that users consumed more than 100 pages per month during the summer, and won the Bronze Lovie Award.

The main protagonist of the year, however, was the responsive redesign of the web released in April, which won the ÑH Silver Award. Thanks to this, *elpais.com* may be consulted from any type of device, be it mobile, tablet or PC, in optimal conditions and without losing any details of the contents.

Finally, multidistribution in Google y Facebook formats has been perfected: Google's AMP deployment has continued, which has increased the number of users arriving to *EL PAÍS* from search engines by 30%, and Instant Articles has been launched on Facebook, with 21% accessing *EL PAÍS* on Facebook from a mobile.

The other main innovation area has been video. On the one hand, *EL PAÍS* has launched an Immersive Journalism project with the 360° documentary *Fukushima Vidas Contaminadas*, winner of the Silver and the Public Lovie Awards. As a vehicle of these initiatives, the *EL PAÍS* VR application was created, which Google has included in its group of the Most Innovative Apps 2016. On the other hand, an ambitious schedule of retransmissions has been proposed for Facebook Live, with numerous weekly programs.

The year ended with the first steps towards the implementation of Youtube as a video platform, with *EL PAÍS* being the first Spanish broadcaster to develop this concept within the Digital News Initiative and the recently launched Apple TV Application.

2016 was also the year of the bot: in June *EL PAÍS* launched its Facebook Messenger bot followed by Twitter bot in November.

AS achieved its maximum historical audience in June 2016, with 7,735,000 unique PC users worldwide, according to Comscore data. In addition, the local editions in Chile, Mexico and Colombia are now in the top 3 sports media consumed in each of their markets according to Comscore.

In 2016 AS backed mobility and in July published all its editions in responsive format. In October it published a new mobile editorial application containing all the available international editions and the new section *MI ZONA*, where users can select and access the content that interests them with a single click. The *Copa América Bicentenario* app was also updated this year as was the League Guide with the updated information for the 2016-2017 season.

With regard to content distribution on news outlets for mobile devices, the publication of Facebook Instant Articles and Google AMP commenced.

In November 2016, AS was select by the Google DNI investment fund for its project Football Data Suite, which is focused on bringing data journalism closer to newsrooms for content creation. The project will be developed in 2017.

In 2016 **Prisa Radio** intensified its efforts to position its products as references in the digital media ecosystem, seeking to lead the development of online audio in all its markets. Major efforts are being made to broaden the range of multimedia content offered and make it available to users where and when they want to consume it.

The main lines of progress this year were:

- The redesign of the sites of 5 talk and 3 music radios in America in order to provide all the products with content management tools that boost audio consumption, facilitate the publication of multimedia content, adapt to mobile consumption and generate more traffic and, thus higher revenues. In Spain we have worked to adapt the responsive design articles (already launched on Cadena SER).
- Work on improving the *LOS40* (launched in December 2016) and *Cadena SER* (launched in January 2017) applications to increase user interaction and consumption of multimedia content. 7-radios applications have also been launched using the enterprise application development platform Replicapp.
- Podium Podcast, a global podcast network in Spanish, with its own web, app and multi-distribution in digital audio aggregators, was also launched.
- The Hertz project, funded by the Google Media Innovation Fund, was launched to improve audio search results and increase audio consumption.

- Finally, in the systems area, progress was made in updating the broadcast platform in Spain, Colombia and Chile.

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:

- Following the development of content for **Knewton adaptive learning technology**, the final **A2O** product for first grade Secondary school algebra (12-13 years) was tested in schools. The experiment involved 9 countries, 60 schools, 80 teachers and 1,250 students, who tested the functioning of a platform capable of designing individualized learning itineraries in real time and offering differentiated information on the performance of each student to teachers.

The main conclusions were: a) An excellent valuation of the user experience for the simplicity of the proposal and the clarity of the interface; b) adequacy of contents according to level of difficulty and progression; c) the usefulness of data-based technology; d) the versatility of the platform functions: it increases student motivation, is complementary as reinforcement and extension, facilitates review and preparation of exams, etc.; e) the robustness and scalability of Knewton's technology. In addition, internally we have learned the specific characteristics of an editorial work to design an adaptive work experience.

- Within the scope of **Mathematics** and given its importance as a common stumbling block, *Editora Moderna* has developed an investigation into the main difficulties presented in the learning of the subject. The study has focused on the 6th to 9th courses in the curricular content blocks related to "Numbers and Operations" and "Algebra". The objective was to obtain a map of the main problems through a diagnostic tool that detects the main and most frequent failures in both concepts and mathematical contents, as well as the application of both in specific contexts. A total of 856 students were evaluated following the Theory of Response to the Item in the preparation of the questions.
- **Saber y Más**, the digital content repository has been incorporated into the HP projector offering for the schools market.
- A proposal has been created for the evaluation of schools under the brand "**Programa Logros**" that integrates the *HabilMind* platforms (diagnostic evaluation of institutional variables of a center as well as cognitive and emotional aspects of the students), Efficient Learning (a portal for training in the basic cognitive skills on which learning is based, particularly mathematical and reading competence) and *PLENO* (an evaluation tool from the point of view Academic and curricular view), these three proposals in digital support are joined by a collection of practice notebooks to strengthen skills and competences.
- The second **SantillanaLab** call has been developed as a platform and meeting point for experts from different educational fields in relation to innovation that will allow Santillana to obtain a vision of current trends. One of the highlights of this year was the analysis of the potential of video in the service of teaching and learning; new methodologies such as Project Based Learning, the impact of the maker culture on the school, the transformation of educational spaces and the new

organizational and management models of innovation-oriented schools were also studied and discussed.

- The first phase of the project **SET21**, Santillana's proposal to educate the citizen of the 21st century, has been completed. True to its avant-garde vision, the project presents proposals to train in the skills and competences that the students will need for their better personal and professional fulfilment in the Internet and Knowledge Society. The editorial plan includes teacher and classroom material, workbooks for the student and a web as SET21 community space to create an innovative educational experience. Five programs have been published: Aprender a Emprender (entrepreneurship and leadership), Aprender a Pensar (cognitive skills), El Valor de las Cosas (economic and financial training, sustainability and responsible consumption), Navegar y Programar (teaching computational thinking and digital skills) and Las Cosas (programming and code learning). A pilot has been developed in Argentina and Chile which will be followed by its commercial launch in Spain, Colombia and Mexico.

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 2016, the Group achieved 457 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, 2016, Promotora de Informaciones, S.A. held a total of 330,407 treasury shares, representing 0.422% of its share capital.

Treasury shares are valued at market price at December 31, 2016 (5.250 euros per share).

The total amount of the treasury shares amounts to EUR 1,735 thousand.

At December 31, 2016, 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, 2016 consisted of 78,335,958 ordinary shares. These shares are listed on the Spanish stock exchanges (Madrid, Barcelona, Bilbao and Valencia).

In 2016, Prisa has reached an agreement with some of its main lenders to issue a mandatorily convertible bond into Prisa shares at 10 euros per share through debt exchange.

The amount of the mandatorily convertible bond reaches EUR 100,742 thousands and the conversion into Prisa shares will take place in 2018. The conversion in 2018 will imply the issuance of 10,604,878 new shares including the annual coupon payable in new shares of the Company. Total shares of Prisa including this issuance totalize 88,940,836 shares.

Following the changes in the Company's share capital in 2016, its main shareholders are Amber Capital, Telefónica, Rucandio, Consorcio Transportista Occher S.A, International Media Group, HSBC, Santander and Caixabank. Free float stands at around 19%.

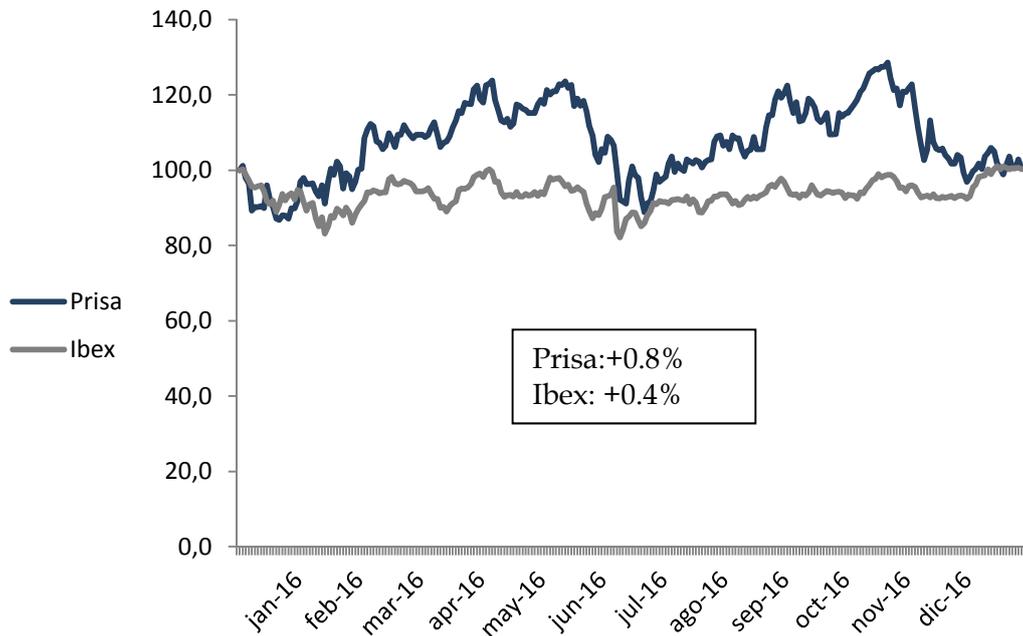
Share price performance

Prisa ordinary shares began 2016 trading at a price of EUR 5.22 per share (January 1, 2016) and ended the year at EUR 5.25 per share (December 30, 2016), implying a revaluation of +0.8%.

Prisa's share price performance was mixed over the quarters, with a +11.1% increase in the first quarter, - 12.7% fall in the second, +12.5% increase in the third and a fall of -7.9% 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 shares relative to the IBEX35 index in 2016, indexed in both cases to 100:

Share price performance Prisa versus Ibex-35 (January-December 2016)



Source: Bloomberg (1 January 2016, 30 December 2016)

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 29 January 2016, the average period of payment to suppliers in commercial operations for companies located in Spain rises, in 2016, to 68 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

No significant events have occurred since December 31, 2016 until the date of approval of these financial statements.