



REPORT ISSUED BY THE BOARD OF DIRECTORS OF PROMOTORA DE INFORMACIONES, S.A. ON THE PROPOSED RESOLUTION REGARDING THE OFFSETTING OF LOSSES AGAINST VOLUNTARY RESERVES IN THE AMOUNT OF EUR 1,578,746,088.64 AND THE LEGAL RESERVE IN THE AMOUNT OF EUR 5,335,316.94, AND IN CONNECTION WITH THE SHARE CAPITAL REDUCTION IN THE AMOUNT OF EUR 154,321,837.26 TO BE CARRIED OUT THROUGH THE REDUCTION OF THE PAR VALUE OF COMPANY'S SHARES BY EUR 1.97 TO EUR 1.03 PER SHARE, IN ORDER TO OFFSET LOSSES, INCLUDED IN ITEMS 4.1 AND 4.2 OF THE EXTRAORDINARY GENERAL SHAREHOLDERS MEETING'S AGENDA, RESPECTIVELY, TO BE HELD ON OCTOBER 30, 2017 AND OCTOBER 31, 2017, AT FIRST AND SECOND CALL, RESPECTIVELY.

I. Purpose of the Report:

The Board of Directors of PROMOTORA DE INFORMACIONES, S.A. ("**PRISA**" or the "**Company**") prepares this report to justify, in compliance with the provisions set forth in articles 286, 318.1 and 335.c) of the Spanish Companies Act, the proposed resolutions consisting of (i) the offsetting of losses against voluntary reserves in the amount of EUR 1,578,746,088.64 and the legal reserve in the amount of EUR 5,335,316.94; and (ii) the share capital reduction in the amount of EUR 154,321,837.26, to be carried out through the reduction of the face value of Company's shares by EUR 1.97 to EUR 1.03 per share, in order to offset losses, both based on Company's balance sheet as at 31 August 2017.

Such proposed resolutions are included under items 4.1 and 4.2, respectively, of the upcoming Extraordinary General Shareholders Meeting's agenda, called for October 30, 2017 on first call or, if the necessary quorum is not achieved on that call, on October 31, 2017, in the same place, on second call.

Similarly, the Board of Directors has resolved to submit to the General Shareholders Meeting the corresponding amendment of the Section 6.1 of Company's Bylaws and the relevant delegation of powers.

II. Justification for the proposal:

In order for the referred proposed resolutions regarding reserves compensation and share capital reduction to be validly submitted for approval to the General Shareholders Meeting of the Company, the Board of Directors must issue the present report justifying the proposals, in accordance with articles 286, 318.1 and 335.c) of the Spanish Companies Act, and insofar as, on one hand, the resolution consisting of the share capital reduction results in the necessary amendment of article 6.1 of the Articles of Association of the Company regarding the share capital of the Company and, on the other hand, one of the reserves to be

offset is only available for compensation under the same requirements as for the share capital reduction.

Similarly, article 287 of the Spanish Companies Act requires that the announcement of the call for the General Shareholders Meeting clearly states the items which are to be amended and the right of all shareholders to examine the entire text of the proposed amendment and the related report in the Company's registered address, as well as to request the free delivery of such documents.

In light of Company's balance sheet as at 31 August 2017, the Board of Directors resolves to submit to the General Shareholders Meeting proposals regarding a reserves reduction and a share capital reduction to offset negative results resulting from the accumulation of losses from prior periods reflected in the referred balance sheet.

To this end, it is hereby stated that these reductions will be based on Company's individual balance sheet as at 31 August 2017 submitted for General Shareholders Meeting approval under the Third item of the agenda. This balance sheet has been drafted by the Board of Directors of the Company during the meeting held on 29 September 2017 and verified by the Company's auditor, Deloitte, S.L., on the same date. It is important to highlight that the referred balance sheet reflects the impact derived from Prisa's sale of its entire stake in Grupo Media Capital SGPS, S.A.

In accordance with the provisions included in article 322.2 of the Spanish Companies Act, limited liability companies (*sociedades anonimas*) are not allowed to reduce their share capital as long as the company has any type of voluntary reserves or as long as the legal reserve, after executing the capital reduction, exceeds 10% of the share capital. For these purposes, the Board of Directors proposes the General Shareholder Meeting, under item 4.1 of its agenda, to approve a reduction of the voluntary and legal reserves, prior to the capital reduction to offset losses, with the same purpose.

Pursuant to the referred balance sheet, the "negative results of prior periods" account or losses amounts to EUR 2,201,523,638.56. Following the application of:

- (i) all of the "share premium" account in the amount of EUR 1,371,298,760.21;
- (ii) the "statutory reserves" account in the amount of EUR 11,884,980.65;
- (iii) the "other updating reserves" account in the amount of EUR 13,939,053.92;
- (iv) the "voluntary reserves" account in the amount of EUR 173,203,255.42;
- (v) the "corporate tax reserves" account in the amount of EUR 51,690.50;
- (vi) the "redeemed capital reserves" account in the amount of EUR 1,495,458.40;
- (vii) the "first application of the general accounting plan reserves" account in the amount of EUR 6,872,889.54; and
- (viii) the "legal reserve" account in the amount of EUR 5,335,316.94

to offset the “negative results of prior periods”, such account shall amount to EUR 614,442,232.98, while the share capital and total equity of the Company amounts to EUR 235,007,874.00 and EUR 49,875,167.39, respectively. Therefore, pursuant to paragraph 1.e) of article 363 of the Spanish Companies Act, the Company is under a cause for dissolution, unless the share capital is increased or reduced in the sufficient amount, and provided that there are no grounds for the Company to file for the insolvency declaration.

In this context, in order to restore and strengthen Company’s balance sheet and to allow the Company to exit the cause for dissolution, the Board of Directors considers necessary that the Company carry out (i) the aforementioned offset of losses against “voluntary reserves” and “legal reserve” (as stated in the proposal submitted for the General Shareholders Meeting’s approval under item 4.1 of its agenda, which is the object of this report); (ii) a share capital reduction to partially offset the remaining losses (as proposed under item 4.2 of the General Shareholders Meeting for its corresponding approval, which is also the subject of the present report); and (iii) a share capital reduction to increase the legal reserve up to the limit permitted by Law (which is proposed under item 4.3 of General Shareholders Meeting’s agenda).

It is hereby stated that, in accordance with article 322.2 of the Spanish Companies Act, where these proposed resolutions to be approved, the Company will not have any voluntary reserves and the legal reserve will not exceed 10% of the share capital of the Company, once the proposed reductions under items 4.2 and 4.3 of the agenda have been carried out.

Following the application of the referred voluntary reserves and the legal reserve to offset losses (as submitted for approval of the General Shareholders Meeting under item 4.1 of the agenda), the Company’s “negative results of prior periods” shall amount to EUR 617,442,232.98. In order to offset such losses, and based on the above referred audited balance sheet, the Board of Directors proposes to the General Shareholders Meeting a share capital reduction in the amount of EUR 154,321,837.26 (that is, from the current amount of EUR 235,007,874, to EUR 80,686,036.74), through the reduction of the face value of each and every of the 78.335.958 shares of the Company currently outstanding by EUR 1.97, in accordance with article 320 of the Spanish Companies Act.

Such amount shall be applied to offset the losses registered in the “negative results of prior periods” account in an amount of EUR 154,321,837.26.

Following the execution of the proposed share capital reduction, the losses of the Company registered in the “negative results of prior periods” account, shall amount to EUR 436,120,395.72.

The Board of Directors proposes the General Shareholders Meeting that the reserves and share capital reductions to be carried out through the reduction of the face value of the shares and the corresponding amendment of the Articles of Association be effective as from the same day as the General Shareholder Meeting approving such resolutions is held. For this purpose, it is noted that, pursuant to article 335.a) of the Spanish Companies Act, creditors have no right of opposition to this share capital reduction. As a result, the proposed resolutions referred to in the present report would be immediately effective by

simple decision of the General Meeting, if approved (without prejudice to the formalization actions that may be required).

Likewise, it is proposed to amend article 6.1 of the Articles of Association of the Company, which will read as indicated in the proposed resolution included in the following section III of this report, in order to reflect the resulting amount of Company's share capital and of the face value of the shares comprising the former.

Finally, it is resolved to empower the Board of Directors, with express powers of substitution, to carry out such actions, and to execute such documents, as may be necessary for the resolutions referred to in this report to become fully effective

The effectiveness of the resolutions consisting of the share capital reduction shall be subject to the condition precedent consisting on the approval of the resolution included in item 4.1 of General Shareholders Meeting's agenda (reserves reduction to offset losses).

III. Proposed resolutions submitted for approval of the General Shareholders Meeting:

“Share capital and reserves reductions aimed at adapting Company's equity structure.

4.1. Offset of losses against the voluntary reserves in an amount of EUR 1,578,746,088.64 and the legal reserves in an amount of EUR 5,335,316.94. Delegation of powers.

- I. Application of “share premium”, “statutory reserves”, “other updating reserves”, “voluntary reserves”, “corporation taxes reserves”, “redeemed capital reserves”, “first application of the general accounting plan reserves” and “legal reserve” to offset losses

In view of Company's individual balance sheet as at 31 August 2017, approved under the Third item of the agenda, the Company has, among others, the following reserves amounting to EUR 1,584,081,405.58:

- (i) “share premium” in the amount of EUR 1,371,298,760.21;
- (ii) “statutory reserves”, in the amount of EUR 11,884,980.65;
- (iii) “other updating reserves”, in the amount of EUR 13,939,053.92;
- (iv) “voluntary reserves”, in the amount of EUR 173,203,255.42;
- (v) “corporate tax reserves”, in the amount of EUR 51,690.50;
- (vi) “redeemed capital reserves”, in the amount of EUR de 1,495,458.40;
- (vii) “first application of the general accounting plan reserves” EUR 6,872,889.54; and

(viii) “legal reserve” in the amount of EUR 5,335,316.94;

According to the referred balance sheet the “negative results of prior periods” amounts to EUR -2,201,523,638.56. Company’s total reserves (including those which are not available), without prejudice to the Company’s results application to be approved by the next ordinary shareholders meeting, amount to EUR 1,499,246,331.02.

The General Meeting resolves to apply:

- (i) the entirety of the aforesaid “share premium” in the amount of EUR 1,371,298,760.21;
- (ii) the entirety of the aforesaid “statutory reserves”, in the amount of EUR 11,884,980.65;
- (iii) the entirety of the aforesaid “other updating reserves”, in the amount of EUR 13,939,053.92;
- (iv) the entirety of the aforesaid “voluntary reserves”, in the amount of EUR 173,203,255.42;
- (v) the entirety of the aforesaid “corporate tax reserves”, in the amount of EUR 51,690.50;
- (vi) the entirety of the aforesaid “redeemed capital reserves”, in the amount of EUR de 1,495,458.40;
- (vii) the entirety of the aforesaid “first application of the general accounting plan reserves” EUR 6,872,889.54; and
- (viii) the entirety of the aforesaid “legal reserve” in the amount of EUR 5,335,316.94;

to partially offset the “negative results of prior periods” of the Company. It is stated for the record that once the former accounts have been applied to offset losses, (i) the “negative results of prior periods” account shall amount to EUR –617,442,232.98; and (ii) according to article 322.2 of the Spanish Companies Act, the Company will not have any voluntary reserves and the legal reserve, once the capital reductions proposed under items 4.2 and 4.3 of the agenda are carried out, if approved, do not exceed 10% of the share capital.

II. Delegation of powers

Notwithstanding the specific delegations of powers comprised in separate items of the agenda (which are to be understood to have been granted with express powers to in turn delegate said powers to the bodies and persons specified herein), it is resolved to empower the Board of Directors, as broadly as required by law, with express powers to be substituted by the Chairman, the Chief Executive Officer, one or more directors, and the Secretary, so that any of them interchangeably may implement this resolution and, in particular, without limitation, being empowered as follows:

- (i) To expand and develop this resolution.
- (ii) To carry out all actions necessary in order to comply with the requirements set forth in the Spanish Companies Act and other applicable rules, including the offset of other voluntary reserves, if applicable, which are not envisaged in this resolution.
- (iii) To carry out all actions and take all the steps necessary to obtain the consents and approvals required for this resolution to become fully effective, including, as the case may be, the consent of Company's bondholders' syndicates' approval in conformity with the article 411 of the Spanish Companies Act.
- (iv) To carry out on behalf of the Company any action, make any statement or take any step that may be required before the Spanish National Securities Market Commission (the "CNMV"), Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.U. (IBERCLEAR), the Governing Bodies of the Stock Markets, the Securities Clearing and Settlement Service and any other agency or entity or public or private Registry, Spanish or foreign, related to this resolution
- (v) To execute on behalf of the Company such public or private documents as may be necessary or appropriate and, in general, to carry out such actions as may be necessary for this resolution to become fully effective.
- (vi) To correct, clarify, interpret, specify or supplement the resolutions adopted by the General Shareholders Meeting, or those appearing in such public deeds or documents as may be executed in implementation thereof and, in particular, such defects, omissions or errors, either substantive or formal, the may prevent the resolutions and the consequences thereof from registering with the Commercial Registry, the Official Registries of the CNMV, or any others.
- (vii) In general, to carry out such actions as may be necessary or appropriate for this resolution to become fully effective.

4.2. Share capital reduction by an amount of EUR 154,321,837.26 to offset losses, by decreasing the par value of shares by EUR 1.97, to EUR 1.03 per share, based on Company's balance sheet as at 31 August 2017. Amendment of article 6.1 of the Articles of Association. Delegation of powers.

I. Company's share capital reduction to offset losses

Following the offset of losses to be carried out in accordance with item 4.1 above, and after having applied all of the voluntary reserves and legal reserves to offset losses, the General Meeting resolves to reduce the share capital in the amount of EUR 154,321,837.26, that is, from the current amount of EUR 235,007,874 to EUR 80,686,036.74, through the reduction of the par value of each of the 78,335,958 ordinary voting shares currently comprising Company's share capital, from the current amount of three euros per share to EUR 1.03 per share.

The purpose of the share capital reduction is to restore the balance between Company's share capital and equity, which has decreased as a consequence of the accumulation of losses from prior periods. The total amount of the share capital reduction shall thereby be applied to offset the negative reserves registered in the "negative results of prior periods" account in an amount of EUR 154,321,837.26. After the proposed share capital reduction, Company's "negative results of prior periods" account shall be reduced to EUR - 463,120,395.72.

The adoption of this resolution shall equally affect all of the Company's shares comprising its share capital.

In accordance with the provisions set forth in article 323 of the Spanish Companies Act, this share capital reduction is based on Company's individual balance sheet as at 31 August 2017, approved by the General Meeting under the First item of the agenda, and submitted to verification of the Company's statutory auditor, namely, Deloitte, S.L., as reflected in the audit report. The aforesaid balance sheet and audit report will be attached to the public deed of share capital decrease.

By virtue of article 335.a) of the Spanish Companies Act the creditors have no right of opposition to this reduction of capital. As a result, the reduction will be immediately effective by simple decision of the General Meeting, without prejudice to the provisions stated below regarding the condition precedent to which the resolution is subject.

As a result of the reduction of the par value of the shares no excess of assets or liabilities will be generated that should be allocated to the legal reserve.

II. Amendment of article 6.1 of the Articles of Association related to the share capital

To amend article 6.1 of the Articles of Association, that will hereinafter read as follows:

"Article 6.- Share Capital.

1. The Share Capital amounts to EUR EIGHTY MILLION, SIX HUNDRED EIGHTY-SIX THOUSAND THIRTY-SIX WITH SEVENTY FOUR CENTS (€80,686,036.74) and it is represented by: seventy-eight million, three hundred thirty-five thousand, nine hundred fifty-eight (78.335.958) ordinary shares of the same class and series, with a face value of EUR ONE WITH THREE CENTS (€1.03) each and correlatively numbered from 1 to 78.335.958."

III. Delegation of powers

Notwithstanding the specific delegations of powers comprised in separate items of the agenda (which are to be understood to have been granted with express powers to in turn delegate said powers to the bodies and persons specified herein), it is resolved to empower the Board of Directors, as broadly as required by law, with express powers to be substituted by the Chairman, the Chief Executive Officer, one or more directors, and the Secretary, so that any of them interchangeably may implement this resolution and, in particular, without limitation, being empowered as follows:

- (i) To expand and develop this resolution by setting the terms and conditions of the share capital reduction in respect of all matters not covered herein.
- (ii) To carry out all actions necessary in order to comply with the requirements set forth in the Spanish Companies Act and other applicable rules, the consolidated text of the Spanish Securities Market Act, the Royal Decree 878/2015, of October 2, on clearing, settlement and registration of securities represented in book-entry form, on the legal framework of central depositories and central counterparties, and on the transparency requirements for securities admitted to trading on a secondary market (Real Decreto 878/2015, de 2 de octubre, sobre compensación, liquidación y registro de valores negociables representados mediante anotaciones en cuenta, sobre el régimen jurídico de los depositarios centrales de valores y de las entidades de contrapartida central y sobre requisitos de transparencia de los emisores de valores admitidos a negociación en un mercado secundario oficial) and other applicable rules, including the publication of any mandatory notices.
- (iii) To carry out all actions and take all the steps necessary to obtain the consents and approvals required for this resolution to become fully effective, including, as the case may be, the consent of Company's bondholders' syndicates' approval in conformity with the article 411 of the Spanish Companies Act.
- (iv) To carry out on behalf of the Company any action, make any statement or take any step that may be required before the National Securities Market Commission (the "CNMV"), Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.U. (IBERCLEAR), the Governing Bodies of the Stock Markets, the Securities Clearing and Settlement Service and any other agency or entity or public or private Registry, either Spanish or foreign, in connection with the share capital reduction covered by this resolution and, in particular, effective from the beginning of the trading session determined by the latter, and after the public deed of share capital reduction has been executed and registered with the Commercial Registry, in order for the 78.335.958 shares of the Company with a par value of three euros each currently outstanding to be excluded from trading, and the same number of shares with a par value of EUR 1.03 to be subsequently admitted to listing in the Barcelona, Bilbao, Madrid and Valencia Stock Exchanges for trading through the Automated Quotation System (*Sistema de Interconexión Bursátil (Mercado Continuo)*).
- (v) To amend the article of the Articles of Association corresponding to the share capital, so as to adapt it to the new share capital figure.
- (vi) To draft and publish such notices as may be necessary or appropriate in connection with this share capital reduction.
- (vii) To execute on behalf of the Company such public or private documents as may be necessary or appropriate to carry out the share capital reduction and, in general, to carry out such actions as may be necessary for the this resolution to become fully effective.

- (viii) To correct, clarify, interpret, specify or supplement the resolutions adopted by the General Shareholders Meeting, or those appearing in such deeds or documents as may be executed in implementation thereof and, in particular, such defects, omissions or errors, either substantive or formal, that may prevent the resolutions and the consequences thereof from registering with the Commercial Registry, the Official Registries of the CNMV, or any others.
- (viii) In general, to carry out such actions as may be necessary or appropriate in order for the share capital reduction to become fully effective.

IV. Condition Precedent

The effectiveness of this resolution is subject to the resolution 4.1 above being approved”.

Madrid, on 29 September 2017