ANNEX I

GENERAL

2ND	STATISTICAL INFORMATION REPORT FOR YEAR	2019

CLOSING DATE OF PERIOD 12/31/2019

I. IDENTIFICATION DATA

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

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

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

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

II. SUPPLEMENTARY INFORMATION TO PREVIOUSLY RELEASED PERIODIC INFORMATION

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

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

In September 2019, as a consequence of the contract signed with Cofina for the sale of Vertix, which is the owner of Media Capital, the results of Media Capital were reclassified as a discontinued operation, under "Net income for the year from discontinued operations net of tax".

In accordance with IFRS 5 and for the purpose of comparison, the consolidated income statement and the consolidated cash flow statement for the 2018 financial year have been modified to present Media Capital as a discontinued operation.

Also, with Media Capital representing a segment of the Group, and being presented as a discontinued operation, this segment has been eliminated in the 2019 financial year and financial year 2018 has been modified for comparison purposes.

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

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

Observations on the above statement/(s):

Person/(s) assuming responsibility for this information:

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

Individual/Corporate name	**Office**
D. JAVIER MONZÓN DE CÁCERES	CHAIRMAN
D. MANUEL MIRAT SANTIAGO	CHIEF EXECUTIVE OFFICER
D. JOSEPH MARIE OUGHOURLIAN	DEPUTY CHAIRMAN
D. ROBERTO LÁZARO ALCÁNTARA ROJAS	DIRECTOR
AMBER CAPITAL UK LLP (represented by D. FERNANDO MARTÍNEZ ALBACETE)	DIRECTOR
Dª. BÉATRICE DE CLERMONT-TONNERRE	DIRECTOR
D. DOMINIQUE MARIE PHILIPPE D´HINNIN	DIRECTOR
D. FRANCISCO JAVIER DE JAIME GUIJARRO	DIRECTOR
Dª. SONIA DULÁ	DIRECTOR
Dª. MARÍA TERESA BALLESTER FORNÉS	DIRECTOR
D. FRANCISCO JAVIER GÓMEZ-NAVARRO NAVARRETE	DIRECTOR
D. MANUEL POLANCO MORENO	DIRECTOR
D. KHALID THANI A T AL THANI	DIRECTOR

Date this half-yearly financial report is signed by the competet governing body:	25/02/2020

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

Units: Thousands of euros

ASSETS		PRESENT PER. 12/31/2019	PREVIOUS PER. 12/31/2018
A) NON-CURRENT ASSETS	**0040**	**935,074**	**923,762**
1. Intangible assets:	0030	207	230
a) Goodwill	0031		
b) Other intangible assets	0032	207	230
2. Property, plant and equipment	0033	1,034	847
3. Investment properties	0034		
4. Long-term investmenst in group companies and associates	0035	883,451	851,835
5. Long-term financial investments	0036	9	581
6. Deferred tax assets	0037	50,373	70,269
7. Other non-current assets	0038		
B) CURRENT ASSETS	**0085**	**174,324**	**71,305**
1. Non-current assets held for sale	0050	110,445	
2. Inventories	0055		
3. Trade and other receivables:	0060	4,194	4,234
a) Trade receivables for sales and services	0061	552	1,339
b) Other receivables	0062	2,860	6
c) Current tax assets	0063	782	2,889
4. Short-term investments in group companies and associates	0064	49,010	59,303
5. Short-term financial investments	0070		6,500
6. Current accrual accounts	0071	266	77
7. Cash and cash equivalents	0072	10,409	1,191
TOTAL ASSETS (A+B)	**0100**	**1,109,398**	**995,067**

Comentarios

EQUITY AND LIABILITIES		PRESENT PER. 12/31/2019	PREVIOUS PER. 12/31/2018
A) EQUITY (A.1+ A.2+ A.3)	**0195**	**345,369**	**356,162**
A.1) CAPITAL AND RESERVES	**0180**	**345,369**	**356,386**
1. Share Capital:	0171	666,131	524,902
a) Authorized capital	0161	666,131	524,902
b) Less: Uncalled capital	0162		
2. Share premium	0172	254,180	201,512
3. Reserves	0173	132,743	117,345
4. Less: Treasury stock	0174	(2,591)	(2,856)
5. Profit/loss brought forward	0178	(495,537)	(594,718)
6. Other shareholder contributions	0179		
7. Net income for the year	0175	(209,557)	110,201
8. Less: Interim dividend	0176		
9. Other equity instruments	0177		0
A.2) VALUATION ADJUSTMENTS	**0188**	**0**	**(224)**
1. Available for sale financial assets	0181		(224)
2. Hedging transactions	0182		
3. Other	0183		
A.3) GRANTS, DONATIONS AND GIFTS RECEIVED	**0194**		
B) NON-CURRENT LIABILITIES	**0120**	**641,681**	**613,643**
1. Long-term provisions	0115	4,016	2,258
2. Long-term debts	0116	470,235	423,905
a) Bank borrowings and bonds and other negotiable securities	0131	470,235	423,905
b) Other non-current financial liabilities	0132		
3. Long-term payable to group and associates companies	0117	167,430	187,480
4. Deferred tax liabilities	0118		
5. Other non-current liabilities	0135		
6. Long- term acrual accounts	0119		
B) CURRENT LIABILITIES	**0130**	**122,348**	**25,262**
1. Non-current liabilities held for sale	0121		
2. Short-term provisions	0122		230
2. Short-term payables	0123	16,303	532
a) Bank borrowings and bonds and other negotiable securities	0133	6,303	532
b) Other financial liabilities	0134	10,000	
4. Current payables to group and associates companies	0129	100,017	14,589
5. Trade and other payables	0124	6,028	9,911
a) Suppliers	0125	42	42
b) Other accounts payable	0126	5,986	9,869
c) Current tax liabilities	0127		
6. Other current liabilities	0136		
7. Current accrual accounts	0128		
TOTAL EQUITY AND LIABILITIES (A+B+C)	**0200**	**1,109,398**	**995,067**

Comments

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

Units: Thousands of euros

			PRESENT CURR. PERIOD (2nd HALF) Amount	PREVIOUS PERIOD (2nd HALF) Amount	CURRENT CUMULATIVE 12/31/2019 Amount	PREVIOUS CUMULATIVE 12/31/2018 Amount
(+)	Revenues	**0205**	18,905	20,681	22,371	594,057
(+/-)	Variation in inventories of finished products and products in process	**0206**				
(+)	Own work capitalized	**0207**				
(-)	Suppliers	**0208**				
(+)	Other operating revenues	**0209**	1	123	1	123
(-)	Staff costs	**0217**	(3,492)	(3,361)	(7,431)	(6,956)
(-)	Other operating expenses	**0210**	(3,754)	(4,996)	(9,997)	(9,514)
(-)	Depreciation and amortization charge	**0211**	(30)	(41)	(69)	(82)
(+)	Allocation of grants for non-financial assets and others	**0212**				
(+)	Overprovision	**0213**				
(+/-)	Impairment and results on fixed asset disposals	**0214**	367		367	
(+/-)	Other income	**0215**	0	2,313		2,313
=	**RESULT FROM OPERATIONS**	**0245**	**11,997**	**14,719**	**5,242**	**579,941**
(+)	Finance income	**0250**	(1,445)	2,309	81	2,316
(-)	Finance expenses	**0251**	(16,377)	(10,415)	(29,475)	(74,531)
(+/-)	Change in value of financial instruments	**0252**	(1,064)	(1,045)	(2,087)	8,688
(+/-)	Exchange differences (net)	**0254**	(5)	12	(12)	34
(+/-)	Impairment and results on disposals of financial instrument	**0255**	(916)	(9,651)	(43,284)	(197,765)
=	**NET FINANCIAL RESULT**	**0256**	**(19,807)**	**(18,790)**	**(74,777)**	**(261,258)**
=	**PROFIT (LOSS) BEFORE TAX**	**0265**	**(7,810)**	**(4,071)**	**(69,535)**	**318,683**
(+/-)	Income tax	**0270**	(12,827)	(149,790)	(8,205)	(132,693)
=	**PROFIT (LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS**	**0280**	**(20,637)**	**(153,861)**	**(77,740)**	**185,990**
(+/-)	Net income for the year from discontinued operations net of tax	**0285**	(132,550)	(75,789)	(131,817)	(75,789)
=	**PROFIT (LOSS) FOR THE YEAR**	**0300**	**(153,187)**	**(229,650)**	**(209,557)**	**110,201**

	EARNINGS PER SHARE		**Amount (X.XX euros)**	**Amount (X.XX euros)**	**Amount (X.XX euros)**	**Amount (X.XX euros)**
	Basic	**0290**	(0.22)	(0.41)	(0.32)	0.22
	Diluted	**0295**	(0.22)	(0.41)	(0.32)	0.22

Comments

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

Units: Thousands of euros

		PRESENT PERIOD 12/31/2019	PREVIOUS PERIOD 12/31/2018
A) PROFIT (LOSS) FOR THE YEAR (from the income statement)	0305	(209,557)	110,201
B) INCOME AND EXPENSE RECOGNISED DIRECTLY IN EQUITY:	0310	(13)	(17,452)
1. From measurement of financial instruments:	0320	(18)	(409)
a) Financial assets held for sale	0321	(18)	(409)
a) Other revenues/(expenses)	0323		
2. From cash flow hedges	0330		
3. Grants, donations and gifts received	0340		
4. From actuarial gains and losses and other adjustments	0344		
5. Other income and expense recognised directly in equity	0343		(17,145)
6. Tax effect	0345	5	102
C) TRANSFERS TO INCOME STATEMENT:	0350	237	0
1. From measurement of financial instruments:	0355	321	0
a) Financial assets held for sale	0356	321	
a) Other revenues/(expenses)	0358		
2. From cash flow hedges	0360		
3. Grants, donations and gifts received	0366		
4. Other income and expense recognised directly in equity	0365		
5. Tax effect	0370	(84)	
TOTAL RECOGNISED INCOME/(EXPENSE) (A+ B+ C)	0400	(209,333)	92,749

Comments

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

Units: Thousands of euros

PRESENT PERIOD		Equity					Adjustments for changes in value	Grants, donations and gifts received	Total Equity
		Share Capital	Share premium and Reserves (1)	Treasury stock	Profit (loss) for the period	Other equity instruments			
Opening balance at 01/01/2019	3010	524,902	(275,861)	(2,856)	110,201		(224)	0	356,162
Adjustment for changes in accounting policy	3011								0
Adjustment for errors	3012								0
Adjusted opening balance	3015	524,902	(275,861)	(2,856)	110,201	0	(224)	0	356,162
I. Total recognised income/ (expense) the period	3020		0		(209,557)		224		(209,333)
II. Transactions with shareholders or owners	3025	141,229	52,153	265	0	0	0	0	193,647
1. Capital increases/ (reductions)	3026	141,229	52,668						193,897
2. Conversion of financial liabiities into equity	3027								0
3. Distribution of dividends	3028								0
4. Trading with own shares (net)	3029		(515)	265					(250)
5. Increases/ (reductions) for business combinations	3030								0
6. Other transactions with shareholders or owners	3032								0
III. Other changes in equity	3035	0	115,094	0	(110,201)	0	0	0	4,893
1. Share based payments	3036								0
2. Transfers between equity accounts	3037		110,201		(110,201)				0
3. Other variations	3038		4,893						4,893
Closing balance at 12/31/2019	3040	666,131	(108,614)	(2,591)	(209,557)	0	0	0	345,369

Comments

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

Units: Thousands of euros

PREVIOUS PERIOD		Equity					Adjustments for changes in value	Grants, donations and gifts received	Total Equity
		Share Capital	Share premium and Reserves (1)	Treasury stock	Profit (loss) for the period	Other equity instruments			
Opening balance at 01/01/2018 (comparative period)	3050	**83,498**	**(464,832)**	**(694)**	**(123,591)**	**46,408**	**83**	**0**	**(459,128)**
Adjustment for changes in accounting policy	3051								0
Adjustment for errors	3052								0
Adjusted opening balance (comparative period)	3055	**83,498**	**(464,832)**	**(694)**	**(123,591)**	**46,408**	**83**	**0**	**(459,128)**
I. Total recognised income/ (expense) the period	3060		(17,145)		110,201		(307)		92,749
II. Transactions with shareholders or owners	3065	**441,189**	**121,579**	**(2,162)**	**0**	**0**	**0**	**0**	**560,606**
1. Capital increases/ (reductions)	3066	441,189	122,031						563,220
2. Conversion of financial liabilities into equity	3067								0
3. Distribution of dividends	3068								0
4. Trading with own shares (net)	3069		(452)	(2,162)					(2,614)
5. Increases/ (reductions) for business combinations	3070								0
6. Other transactions with shareholders or owners	3072								0
III. Other changes in equity	3075	**215**	**84,537**	**0**	**123,591**	**(46,408)**	**0**	**0**	**161,935**
1. Share based payments	3076								0
2. Transfers between equity accounts	3077		(75,952)		123,591	(44,638)			3,001
3. Other variations	3078	215	160,489			(1,770)			158,934
Closing balance at 12/31/2018 (comparative period)	3080	**524,902**	**(275,861)**	**(2,856)**	**110,201**	**0**	**(224)**	**0**	**356,162**

Comments

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

Units: Thousands of euros

			PRESENT PERIOD 12/31/2019	PREVIOUS PERIOD 12/31/2018
A)	**CASH FLOWS FROM OPERATING ACTIVITIES (1+ 2+ 3+ 4)**	0435	**(18,557)**	**571,504**
1.	**Profit (loss) before tax**	0405	**(69,535)**	**318,683**
2.	**Adjustments to profit (loss):**	0410	**60,460**	**(327,663)**
(+)	Depreciation and amortization charge	0411	69	82
(+/-)	Other adjustments to income (nets)	0412	60,391	(327,745)
3.	**Changes in working capital**	0415	**694**	**(9,696)**
4.	**Other cash flows from operating activities:**	0420	**(10,176)**	**590,180**
(-)	Interest paid	0421	(25,832)	(24,266)
(+)	Dividends received	0422	7,353	587,580
(+)	Interest received	0423	83	154
(+/-)	Income tax recovered/(paid)	0430	11,047	26,338
(+/-)	Other sums received/(paid) from operating activities	0425	(2,827)	374
B)	**CASH FLOWS FROM INVESTING ACTIVITIES (1+2)**	0460	**(298,314)**	**(3,673)**
1.	**Payments for investments:**	0440	**(313,333)**	**(3,677)**
(-)	Group companies, associates and business units	0441	(313,037)	(3,614)
(-)	Property, plant and equipment, intangible assets and investment properties	0442	(296)	(61)
(-)	Other financial assets	0443		(2)
(-)	Non-current assets and liabilities that have been classified as held for sale	0459		
(-)	Other assets	0444		
2.	**Proceeds from disposals:**	0450	**15,019**	**4**
(+)	Group companies, associates and business units	0451	7,964	
(+)	Property, plant and equipment, intangible assets and investment properties	0452		
(+)	Other financial assets	0453	7,055	4
(-)	Non-current assets and liabilities that have been classified as held for sale	0461		
(+)	Other assets	0454		
C)	**CASH FLOWS FROM FINANCING ACTIVITIES (1+2+ 3)**	0490	**326,089**	**(568,172)**
1.	**Sums received /(paid) in respect of equity instruments:**	0470	**192,053**	**545,099**
(+)	Issues	0471	192,304	547,808
(-)	Amortization	0472		
(-)	Acquisition	0473	(251)	(2,709)
(+)	Disposal	0474		
(+)	Grants, donations and gifts received	0475		
2.	**Sums received /(paid) for financial liability instruments**:	0480	**136,407**	**(1,090,168)**
(+)	Issues	0481	156,455	115,000
(-)	Repayment and redemption	0482	(20,048)	(1,205,168)
3.	**Payments of dividends and remuneration on other equity instruments**	0485	(2,371)	(23,103)
D)	**EFFECT OF CHANGES IN FOREIGN EXCHANGE RATES**	0492		
E)	**NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A+ B+ C+ D)**	0495	**9,218**	**(341)**
F)	**CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD**	0499	**1,191**	**1,532**
G)	**CASH AND CASH EQUIVALENTS AT END OF PERIOD (E+ F)**	0500	**10,409**	**1,191**

	COMPONENTS OF CASH AND CASH EQUIVALENTS AT END OF PERIOD		PRESENT PERIOD 12/31/2019	PREVIOUS PERIOD 12/31/2018
(+)	Cash and banks	0550	10,409	1,191
(+)	Other financial assets	0552		
(-)	*Less: Bank overdrafts repayable on demand*	0553		
	TOTAL CASH AND CASH EQUIVALENTS AT END OF PERIOD	0600	**10,409**	**1,191**

Comments

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

Units: Thousands of euros

ASSETS		PRESENT PER. 12/31/2019	PREVIOUS PER. 12/31/2018
A) NON-CURRENT ASSETS	**1040**	**652,461**	**813,269**
1. Intangible assets:	**1030**	276,081	520,092
a) Goodwill	**1031**	151,073	408,848
b) Other intangible assets	**1032**	125,008	111,244
2. Property, plant and equipment	**1033**	190,728	87,689
3. Investment properties	**1034**	26	26
4. Investments accounted for using the equity method	**1035**	48,711	43,077
5. Non-current financial assets	**1036**	20,665	24,611
b) At fair value with changes in results	**1047**	0	0
Of which 'Designated in the initial moment'	**1041**		
b) At fair value with changes in other comprehensive income	**1042**	0	577
Of which 'Designated in the initial moment'	**1043**		
c) At amortized cost	**1044**	20,665	24,034
6. Non-current derivatives	**1039**	0	0
a) Coverage	**1045**	0	0
b) Other	**1046**		
7. Deferred tax assets	**1037**	116,250	135,363
8. Other non-current assets	**1038**	0	2,411
B) CURRENT ASSETS	**1085**	**919,703**	**847,453**
1. Non-current assets held for sale	**1050**	280,606	6,989
2. Inventories	**1055**	84,423	150,345
3. Trade and other receivables:	**1060**	383,354	370,090
a) Trade receivables for sales and services	**1061**	311,975	302,996
b) Other receivables	**1062**	71,379	67,094
c) Current tax assets	**1063**		
4. Current financial assets	**1070**	4,740	24,936
b) At fair value with changes in results	**1080**	0	0
Of which 'Designated in the initial moment'	**1081**		
b) At fair value with changes in other comprehensive income	**1082**		
Of which 'Designated in the initial moment'	**1083**		
c) At amortized cost	**1084**	4,740	24,936
5. Current derivatives	**1076**	0	0
a) Coverage	**1077**	0	0
b) Other	**1078**		
6. Other current assets	**1075**	0	0
7. Cash and cash equivalents	**1072**	166,580	295,093
TOTAL ASSETS (A + B)	**1100**	**1,572,164**	**1,660,722**

Comments

EQUITY AND LIABILITIES		PRESENT PER. 12/31/2019	PREVIOUS PER. 12/31/2018
A) EQUITY (A.1+ A.2+ A.3)	**1195**	**(411,604)**	**(235,809)**
A.1) CAPITAL AND RESERVES	**1180**	**(431,967)**	**(269,242)**
1. Share Capital	**1171**	666,131	524,902
a) Authorized capital	**1161**	666,131	524,902
b) Less: Uncalled capital	**1162**		
2. Share premium	**1172**	254,180	201,512
3. Reserves	**1173**	(7,242)	(22,641)
4. Less: Treasury stock	**1174**	(2,591)	(2,856)
5. Profit/loss brought forward	**1178**	(1,160,147)	(700,812)
6. Other shareholder contributions	**1179**		
7. Profit (loss) for year attributable to parent company	**1175**	(182,298)	(269,347)
8. Less: Interim dividend	**1176**	0	
9. Other equity instruments	**1177**	0	0
A.2) OTHER ACCUMULATED INTEGRAL RESULT	**1188**	**(49,393)**	**(41,216)**
1. Items that are not reclassified to result the period	**1186**	0	0
a) Equity instruments with changes in other comprehensive income	**1185**		
b) Other	**1190**		
2. Items that may be subsequently classified to result for the period	**1187**	(49,393)	(41,216)
a) Hedging	**1182**		
b) Translation differences	**1184**	(49,393)	(40,918)
c) Participation in other comprehensive income for investments in joint ventures an	**1192**		
d) Debt instruments at fair value with changes in other comprehensive income	**1191**		
e) Other	**1183**	0	(298)
EQUITY ATTRIBUTABLE TO THE CONTROLING COMPANY (A.1+ A.2)	**1189**	**(481,360)**	**(310,458)**
A.3) NON-CONTROLLING PARTICIPATIONS	**1193**	69,756	74,649
B) NON-CURRENT LIABILITIES	**1120**	**1,331,843**	**1,325,373**
1. Grants	**1117**	530	523
2. Non-current provisions	**1115**	22,139	28,567
3. Non-current financial liabilities:	**1116**	1,282,076	1,275,364
a) Bank borrowings and bonds and other negotiable securities	**1131**	1,164,869	1,149,661
b) Other non-current financial liabilities	**1132**	117,207	125,703
4. Deferred tax liabilities	**1118**	24,993	18,612
5. Non-current derivatives	**1140**	0	0
a) Coverage	**1141**		
b) Other	**1142**		
6. Other non-current liabilities	**1135**	2,105	2,307
C) CURRENT LIABILITIES	**1130**	**651,925**	**571,158**
1. Non-current liabilities held for sale	**1121**	164,282	2,923
2. Current provisions	**1122**	11,799	10,797
3. Current financial liabilities:	**1123**	73,933	134,764
a) Bank borrowings and bonds and other negotiable securities	**1133**	50,188	76,121
b) Other financial liabilities	**1134**	23,745	58,643
4. Trade and other payables:	**1124**	366,144	390,545
a) Suppliers	**1125**	270,523	270,982
b) Other accounts payable	**1126**	95,621	119,563
c) Current tax liabilities	**1127**		
5. Current derivatives	**1145**	0	0
a) Coverage	**1146**		
b) Other	**1147**		
6. Other current liabilities	**1136**	35,767	32,129
TOTAL EQUITY AND LIABILITIES (A + B + C)	**1200**	**1,572,164**	**1,660,722**

Comments

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

Units: Thousands of euros

			PRESENT CURR. PERIOD (2nd HALF)	PREVIOUS PERIOD (2nd HALF)	CURRENT CUMULATIVE 12/31/2019	PREVIOUS CUMULATIVE 12/31/2018
(+)	Revenues	1205	586,389	541,814	1,065,349	1,065,319
(+/-)	Variation in inventories of finished products and products in process	1206				
(+)	Own work capitalized	1207	914	152	914	219
(-)	Suppliers	1208	(105,497)	(82,151)	(170,213)	(158,990)
(+)	Other operating revenues	1209	14,025	9,389	18,844	13,563
(-)	Staff costs	1217	(171,215)	(165,669)	(342,575)	(342,419)
(-)	Other operating expenses	1210	(176,692)	(207,984)	(391,615)	(405,889)
(-)	Depreciation and amortization charge	1211	(46,578)	(32,176)	(87,280)	(58,843)
(+)	Allocation of grants for non-financial assets and others	1212				
(+/-)	Impairment on fixed asset	1214	(7,008)	(5,033)	(8,297)	(5,416)
(+/-)	Results on fixed asset disposals	1216	8,527	4,945	10,401	19,474
(+/-)	Other income	1215				
=	**RESULT FROM OPERATIONS**	**1245**	**102,865**	**63,287**	**95,528**	**127,018**
(+)	Finance income	1250	2,171	4,702	3,590	6,273
	a) Interest income calculated according to the effective interest rate method	1262	0	0		
	b) Other	1263	2,171	4,702	3,590	6,273
(-)	Finance costs	1251	(41,296)	(37,188)	(76,601)	(104,975)
(+/-)	Change in value of financial instruments	1252	(2,772)	(2,732)	(5,439)	22,814
(+/-)	Result from the reclassification of financial assets at amortized cost to financial assets at fair value	1258	0	0		
(+/-)	Result derived from the reclassification of financial assets at fair value with changes in other comprehensive income to financial assets at fair value	1259	0	0		
(+/-)	Exchange differences (net)	1254	(1,220)	(4,898)	(4,125)	(6,734)
(+/-)	Loss / Reversal due to deterioration of financial instruments	1255	0	0		
(+/-)	Result from disposal of financial instruments	1257	0	0	0	0
	a) Financial instruments at amortized cost	1260	0	0		
	b) Rest of financial instruments	1261	0	0		
=	**NET FINANCIAL RESULT**	**1256**	**(43,117)**	**(40,116)**	**(82,575)**	**(82,622)**
(+/-)	Profit (loss) from companies recorded by the equity method	1253	2,080	1,391	2,676	3,830
=	**PROFIT (LOSS) BEFORE TAX**	**1265**	**61,828**	**24,562**	**15,629**	**48,226**
(+/-)	Income tax	1270	(47,916)	(212,561)	(61,033)	(231,069)
=	**PROFIT (LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS**	1280	**13,912**	**(187,999)**	**(45,404)**	**(182,843)**
(+/-)	Net income for the year from discontinued operations net of tax	1285	(134,425)	(64,601)	(127,414)	(53,732)
=	**CONSOLIDATED PROFIT (LOSS) FOR THE PERIOD**	1288	**(120,513)**	**(252,600)**	**(172,818)**	**(236,575)**
	a) Profit (loss) for year attributable to controling company	1300	(130,751)	(269,749)	(182,298)	(269,347)
	b) Profit (loss) for attributable to the non-controlling participations	1289	10,238	17,149	9,480	32,772

	EARNINGS PER SHARE		**Amount (X.XX euros)**	**Amount (X.XX euros)**	**Amount (X.XX euros)**	**Amount (X.XX euros)**
	Basic	**1290**	(0.19)	(0.54)	(0.27)	(0.54)
	Diluted	**1295**	(0.19)	(0.54)	(0.27)	(0.54)

Comments

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

Units: Thousands of euros

		PRESENT CURR. PERIOD (2nd HALF)	PREVIOUS PERIOD (2nd HALF)	PRESENT PERIOD 12/31/2019	PREVIOUS PERIOD 12/31/2018
A) CONSOLIDATED NET INCOME FOR THE PERIOD (from income statement)	**1305**	**(120,513)**	**(252,600)**	**(172,818)**	**(236,575)**
B) OTHER INTEGRAL RESULT- ITEMS THAT ARE NOT RECLASSIFIED TO RESULT OF THE PERIOD:	**1310**	**0**	**(13)**	**0**	**(17,145)**
1. From revaluation/(reversal of revaluation) of tangible assets and intangible assets	**1311**				
2. From actuarial gains and losses	**1344**				
3. Participation in other comprehensive income recognized for investments in joint ventures and associates	**1342**	**0**	**0**		
4. Equity instruments with changes in other comprehensive income	**1346**				
5. Other income and expenses that are not reclassified to result of the period	**1343**	**0**	**(13)**		**(17,145)**
6. Tax effect	**1345**				
C) OTHER INTEGRAL RESULT- ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO THE RESULT OF THE PERIOD:	**1350**	**(16,429)**	**(1,612)**	**(9,932)**	**(21,266)**
1. Hedging:	**1360**	**0**	**0**	**0**	**0**
a) Profit/(Loss) for valuation	**1361**				
b) Amounts transferred to the profit and loss account	**1362**				
c) Amounts transferred to initial value of hedged	**1363**				
d) Other reclassifications	**1364**				
2. Translation differences:	**1365**	**(18,060)**	**(2,948)**	**(12,888)**	**(22,744)**
a) Profit/(Loss) for valuation	**1366**	(17,890)	(2,948)	(12,718)	(22,744)
b) Amounts transferred to the profit and loss account	**1367**	(170)		(170)	
c) Other reclassifications	**1368**				
3. Participation in other comprehensive income recognized for the investments in joint ventures and associates:	**1370**	**1,407**	**1,472**	**2,657**	**1,785**
a) Profit/(Loss) for valuation	**1371**	1,407	1,472	2,657	1,785
b) Amounts transferred to the profit and loss account	**1372**				
c) Other reclassifications	**1373**				
4. Debt instruments at fair value with changes in other comprehensive income:	**1381**	**0**	**0**	**0**	**0**
a) Profit/(Loss) for valuation	**1382**				
b) Amounts transferred to the profit and loss account	**1383**				
c) Other reclassifications	**1384**				
5. Other income and expenses that may subsequently reclassified to profit or loss:	**1375**	**297**	**(181)**	**397**	**(409)**
a) Profit/(Loss) for valuation	**1376**	(118)	(181)	(18)	(409)
b) Amounts transferred to the profit and loss account	**1377**	415		415	
c) Other reclassifications	**1378**	0	0		
6. Tax effect	**1380**	**(73)**	**45**	**(98)**	**102**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD (A+ B+ C)	**1400**	**(136,942)**	**(254,225)**	**(182,750)**	**(274,986)**
a) Attributable to the controling company	**1398**	(145,670)	(271,367)	(191,604)	(303,186)
b) Attributable to non-controling participations	**1399**	8,728	17,142	8,854	28,200

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

Units: Thousands of euros

PRESENT PERIOD		Net equity attributable to the controling entity							
		Equity							
		Share Capital	Share premium and Reserves (1)	Treasury stock	Profit (loss) for period attributable to the controling entity	Other equity instruments	Adjustments for changes in value	Non-controling participations	Total Equity
Opening balance at 01/01/2019	3110	**524,902**	**(521,941)**	**(2,856)**	**(269,347)**	**0**	**(41,216)**	**74,649**	**(235,809)**
Adjustment for changes in accounting policy	3111								0
Adjustment for errors	3112								0
Adjusted opening balance	3115	**524,902**	**(521,941)**	**(2,856)**	**(269,347)**	**0**	**(41,216)**	**74,649**	**(235,809)**
I. Integral Result Total for the period	3120		(1,129)		(182,298)		(8,177)	8,854	(182,750)
II. Transactions with shareholders or owners	3125	**141,229**	**52,153**	**265**	**0**	**0**	**0**	**(11,432)**	**182,215**
1. Capital increases/ (reductions)	3126	141,229	52,668						193,897
2. Conversion of financial liabiities into equity	3127								0
3. Distribution of dividends	3128							(11,480)	(11,480)
4. Trading with own shares (net)	3129		(515)	265					(250)
5. Increases/ (reductions) for business combinations	3130							48	48
6. Other transactions with shareholders or owners	3132								0
III. Other changes in equity	3135	**0**	**(442,292)**	**0**	**269,347**	**0**	**0**	**(2,315)**	**(175,260)**
1. Share based payments	3136								0
2. Transfers between equity accounts	3137		(269,347)		269,347				0
3. Other variations	3138		(172,945)					(2,315)	(175,260)
Closing balance at 12/31/2019	3140	**666,131**	**(913,209)**	**(2,591)**	**(182,298)**	**0**	**(49,393)**	**69,756**	**(411,604)**

Comments

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

Units: Thousands of euros

PREVIOUS PERIOD		Net equity attributable to the controling entity							
		Equity							
		Share Capital	Share premium and Reserves (1)	Treasury stock	Profit (loss) for period attributable to the controling entity	Other equity instruments	Adjustments for changes in value	Non-controling participations	Total Equity
Opening balance at 01/01/2018 (comparative period)	**3150**	**83,498**	**(552,855)**	**(694)**	**(102,564)**	**46,408**	**(37,707)**	**79,050**	**(484,864)**
Adjustment for changes in accounting policy	**3151**		(9,980)					(2,822)	(12,802)
Adjustment for errors	**3152**								0
Adjusted opening balance (comparative period)	**3155**	**83,498**	**(562,835)**	**(694)**	**(102,564)**	**46,408**	**(37,707)**	**76,228**	**(497,666)**
I. Integral Result Total for the period	**3160**		(30,330)		(269,347)		(3,509)	28,200	(274,986)
II. Transactions with shareholders or owners	**3165**	**441,189**	**121,579**	**(2,162)**	**0**	**0**	**0**	**(32,954)**	**527,652**
1. Capital increases/ (reductions)	**3166**	441,189	122,031						563,220
2. Conversion of financial liabiities into equity	**3167**					0			0
3. Distribution of dividends	**3168**							(30,702)	(30,702)
4. Trading with own shares (net)	**3169**		(452)	(2,162)					(2,614)
5. Increases/ (reductions) for business combinations	**3170**							(2,252)	(2,252)
6. Other transactions with shareholders or owners	**3172**								0
III. Other changes in equity	**3175**	215	(50,355)	0	102,564	(46,408)	0	3,175	9,191
1. Share based payments	**3176**								0
2. Transfers between equity accounts	**3177**		(57,926)		102,564	(44,638)			0
3. Other variations	**3178**	215	7,571			(1,770)		3,175	9,191
Closing balance at 12/31/2018 (comparative period)	**3180**	**524,902**	**(521,941)**	**(2,856)**	**(269,347)**	**0**	**(41,216)**	**74,649**	**(235,809)**

Comments

IV. SELECTED FINANCIAL INFORMATION

9.A. CONSOLIDATED CASH FLOW STATEMENT (INDIRECT METHOD) (IFRS ADOPTED)

Units: Thousands of euros

			PRESENT PERIOD 12/31/2019	PREVIOUS PERIOD 12/31/2018
A)	**CASH FLOWS FROM OPERATING ACTIVITIES (1+ 2+ 3+ 4)**	**1435**	**136,792**	**192,736**
1.	**Profit (loss) before tax**	**1405**	**15,629**	**48,226**
2.	**Adjustments to profit (loss):**	**1410**	**169,457**	**127,871**
(+)	Depreciation and amortization charge	**1411**	87,280	58,843
(+/-)	Other adjustments to income (nets)	**1412**	82,177	69,028
3.	**Changes in working capital**	**1415**	**(34,522)**	**3,367**
4.	**Other cash flows from operating activities:**	**1420**	**(13,772)**	**13,272**
(-)	Interest paid	**1421**		
(-)	Payments of dividends and remuneration on other equity instruments	**1430**		
(+)	Dividends received	**1422**		
(+)	Interest received	**1423**		
(+/-)	Income tax recovered/(paid)	**1424**	(25,013)	(21,140)
(+/-)	Other sums received/(paid) from operating activities	**1425**	11,241	34,412
B)	**CASH FLOWS FROM INVESTING ACTIVITIES (1+ 2+ 3)**	**1460**	**(387,330)**	**(45,980)**
1.	**Payments for investments:**	**1440**	**(420,600)**	**(68,656)**
(-)	Group companies, associates and business units	**1441**	(350,096)	(4,000)
(-)	Property, plant and equipment, intangible assets and investment properties	**1442**	(70,352)	(62,458)
(-)	Other financial assets	**1443**	(152)	(2,198)
(-)	Non-current assets and liabilities that have been classified as held for sale	**1459**		
(-)	Other assets	**1444**		
2.	**Proceeds from disposals:**	**1450**	**42,638**	**28,479**
(+)	Group companies, associates and business units	**1451**	19,759	3,000
(+)	Property, plant and equipment, intangible assets and investment properties	**1452**	6,188	22,920
(+)	Other financial assets	**1453**	16,691	2,559
(+)	Non-current assets and liabilities that have been classified as held for sale	**1461**		
(+)	Other assets	**1454**		
3.	**Other cash flows from investing activities:**	**1455**	**(9,368)**	**(5,803)**
(+)	Dividends received	**1456**	201	211
(+)	Interest received	**1457**		
(+/-)	Other sums received/(paid) from investing activities	**1458**	(9,569)	(6,014)
C)	**CASH FLOWS FROM FINANCING ACTIVITIES (1+2+ 3+ 4)**	**1490**	**121,561**	**(66,978)**
1.	**Sums received /(paid) in respect of equity instruments:**	**1470**	**192,053**	**545,216**
(+)	Issues	**1471**	192,304	547,925
(-)	Amortization	**1472**		
(-)	Acquisition	**1473**	(251)	(2,709)
(+)	Disposal	**1474**		
2.	**Sums received /(paid) for financial liability instruments:**	**1480**	**69,148**	**(505,183)**
(+)	Issues	**1481**	85,189	691,804
(-)	Repayment and redemption	**1482**	(16,041)	(1,196,987)
3.	**Payments of dividends and remuneration on other equity instruments**	**1485**	**(38,812)**	**(24,728)**
4.	**Other cash flow from financing activities**	**1486**	**(100,828)**	**(82,283)**
(-)	Interest paid	**1487**	(54,657)	(41,348)
(+/-)	Other sums received/(paid) from financing activities	**1488**	(46,171)	(40,935)
D)	**EFFECT OF CHANGES IN FOREIGN EXCHANGE RATES**	**1492**	**464**	**(2,189)**
E)	**NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A+ B+ C+ D)**	**1495**	**(128,513)**	**77,589**
F)	**CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD**	**1499**	**295,093**	**217,504**
G)	**CASH AND CASH EQUIVALENTS AT END OF PERIOD (E+ F)**	**1500**	**166,580**	**295,093**

	COMPONENTS OF CASH AND CASH EQUIVALENTS AT END OF PERIOD		PRESENT PERIOD 12/31/2019	PREVIOUS PERIOD 12/31/2018
(+)	Cash and banks	**1550**	107,610	250,360
(+)	Other financial assets	**1552**	58,970	44,733
(-)	*Less: Bank overdrafts repayable on demand*	**1553**		
	TOTAL CASH AND CASH EQUIVALENTS AT END OF PERIOD	**1600**	**166,580**	**295,093**

Comments

IV. SELECTED FINANCIAL INFORMATION
10. DIVIDENDS PAID

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

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

Comments

IV. SELECTED FINANCIAL INFORMATION

11. SEGMENT REPORTING

Units: Thousands of euros

GEOGRAPHICAL AREA		Distribution of net turnover by geographical area			
		INDIVIDUAL		CONSOLIDATED	
		PRESENT PERIOD	PREVIOUS PERIOD	PRESENT PERIOD	PREVIOUS PERIOD
National market	**2210**	22,371	594,057	492,811	499,145
International market:	**2215**			572,538	566,174
a) European Union	**2216**			4,164	3,631
a.1) Euro zone	**2217**			4,164	3,631
a.1) Non-Euro area	**2218**				
b) Other	**2219**			568,374	562,543
TOTAL	**2220**	**22,371**	**594,057**	**1,065,349**	**1,065,319**

Comments

SEGMENTS		CONSOLIDATED			
		Revenue from ordinary activities		Profit (loss)	
		PRESENT PERIOD	PREVIOUS PERIOD	PRESENT PERIOD	PREVIOUS PERIOD
EDUCATION	**2221**	627,967	600,542	60,254	37,971
RADIO	**2222**	273,810	287,580	20,895	27,483
PRESS	**2223**	210,827	221,140	(10,935)	(62,843)
OTHERS	**2224**	14,933	28,559	(208,435)	(217,323)
Adjustments and eliminations	**2225**	(31,987)	(39,184)	(44,077)	(54,635)
	2226				
	2227				
	2228				
	2229				
	2230				
TOTAL of the segments to be reported	**2235**	**1,095,550**	**1,098,637**	**(182,298)**	**(269,347)**

Comments

IV. SELECTED FINANCIAL INFORMATION
12. AVERAGE WORKFORCE

		INDIVIDUAL		CONSOLIDATED	
		PRESENT PERIOD	PREVIOUS PERIOD	PRESENT PERIOD	PREVIOUS PERIOD
AVERAGE WORKFORCE	**2295**	**40**	**37**	**8,709**	**8,538**
Men	**2296**	13	12	4,659	4,675
Women	**2297**	27	25	4,050	3,863

Comments

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

DIRECTORS:

Remuneration component:

		Amount (€ 000s)	
		PRESENT PERIOD	PREVIOUS PERIOD
Remuneration for belonging to the Board and / or Board Committees	**2310**	1,508	1,427
Salaries	**2311**	500	653
Variable cash remuneration	**2312**	300	326
Share-based compensation systems	**2313**	964	508
Compensation	**2314**		230
Long-term savings systems	**2315**		
Other concepts	**2316**	6	9
TOTAL	**2320**	**3,278**	**3,153**

EXECUTIVES:

		Amount (€ 000s)	
		PRESENT PERIOD	PREVIOUS PERIOD
Total remuneration received by executives	**2325**	6,688	6,790

IV. SELECTED FINANCIAL INFORMATION
14. RELATED PARTIES TRANSACTIONS AND BALANCES (1/2)

Units: Thousands of euros

EXPENSES AND REVENUES:		PRESENT PERIOD				
		Significant shareholders	Directors and executives	Group persons, companies or entities	Other related parties	Total
1) Finance expenses	2340	15,798		1,800		
2) Leases	2343	2,202		376		
3) Services received	2344	7,749		136		
4) Purchase of stocks	2345					
5) Other expenses	2348	69	9,966	966		
TOTAL EXPENSES (1+ 2+ 3+ 4+ 5)	**2350**	**25,818**	**9,966**	**3,278**		**0**
6) Finance income	2351			805		
7) Dividends received	2354			20		
8) Services provided	2356	3,452		4,474		
9) Sale of stocks	2357					
10) Other revenues	2359	1,069				
TOTAL REVENUES (6+ 7+ 8+ 9+ 10)	**2360**	**4,521**	**0**	**5,299**	**0**	**0**

OTHER TRANSACTIONS:		PRESENT PERIOD				
		Significant shareholders	Directors and executives	Group persons, companies or entities	Other related parties	Total
Financing agreements: credit facilities and contributions of capital (lender)	2372			20		20
Financing agreements:loans and contributions of capital (borrower)	2375					0
Guarantees and deposits established	2381					0
Guarantees and deposits received	2382	131				131
Commitments acquired	2383					0
Dividends and other porfits distributed	2386					0
Other operations	2385	7,375				7,375

BALANCES AT CLOSURE OF THE PERIOD:		PRESENT PERIOD				
		Significant shareholders	Directors and executives	Group persons, companies or entities	Other related parties	Total
1) Customers and Trade Debtors	2341	1,433		4,149		
1) Loans and credits granted	2342			10,057		
1) Other collection rights	2346					
TOTAL DEBT BALANCES (1+ 2+ 3)	**2347**	**1,433**	**0**	**14,206**	**0**	**15,639**
1) Suppliers and commercial creditors	2352	5,267		1,531		
1) Loans and credits received	2353	414,517		2		
1) Other payment obligations	2355					
TOTAL CREDITORS BALANCES (4+ 5+ 6)	**2358**	**419,784**	**0**	**1,533**	**0**	**421,317**

Comments

IV. SELECTED FINANCIAL INFORMATION

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

Units: Thousands of euros

EXPENSES AND REVENUES:		PREVIOUS PERIOD Significant shareholders	Directors and executives	Group persons, companies or entities	Other related parties	Total
1) Finance expenses	6340	18,985		981		19,966
2) Leases	6343	2,239		480		2,719
3) Services received	6344	8,381		309		8,690
4) Purchase of stocks	6345					0
5) Other expenses	6348	88	9,943	387		10,418
TOTAL EXPENSES (1+ 2+ 3+ 4+ 5)	**6350**	**29,693**	**9,943**	**2,157**		**41,793**
6) Finance income	6351			1,015		1,015
7) Dividends received	6354			20		20
8) Services provided	6356	4,202		2,155		6,357
9) Sale of stocks	6357					0
10) Other revenues	6359	313		64		377
TOTAL REVENUES (6+ 7+ 8+ 9+ 10)	**6360**	**4,515**	**0**	**3,254**	**0**	**7,769**

OTHER TRANSACTIONS:		PREVIOUS PERIOD Significant shareholders	Directors and executives	Group persons, companies or entities	Other related parties	Total
Financing agreements: credit facilities and contributions of capital (lender)	6372					0
Financing agreements:loans and contributions of capital (borrower)	6375	378,897				378,897
Guarantees and deposits established	6381					0
Guarantees and deposits received	6382					0
Commitments acquired	6383					0
Dividends and other porfits distributed	6386					0
Other operations	6385	8,810				8,810

BALANCES AT CLOSURE OF THE PERIOD:		PREVIOUS PERIOD Significant shareholders	Directors and executives	Group persons, companies or entities	Other related parties	Total
1) Customers and Trade Debtors	6341	842		3,902		4,744
1) Loans and credits granted	6342			11,012		11,012
1) Other collection rights	6346					0
TOTAL DEBT BALANCES (1+ 2+ 3)	**6347**	**842**	**0**	**14,914**	**0**	**15,756**
1) Suppliers and commercial creditors	6352	3,131		2,151		5,282
1) Loans and credits received	6353	405,040		2		405,042
1) Other payment obligations	6355					0
TOTAL CREDITORS BALANCES (4+ 5+ 6)	**6358**	**408,171**	**0**	**2,153**	**0**	**410,324**

Comments

VI. SPECIAL AUDITOR'S REPORT

Anexar
Informe especial del auditor

The information contained in this report has not been audited.

Prisa Group

Explanatory notes to the financial statements for the 2019 financial year

1. PRESENTATION BASES FOR THE FINANCIAL STATEMENT FOR THE 2019 FINANCIAL YEAR

Consolidated financial statements

The financial statements of Prisa Group for the 2019 financial year have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, in compliance with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council, taking into account all mandatory accounting policies and rules and measurement bases with a material effect, as well as with the Commercial Code, the obligatory legislation approved by the Institute of Accounting and Auditors of Accounts, and other applicable Spanish legislation.

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

As required by IAS 8, uniform accounting policies and measurement bases were applied by the Group for all transactions, events and items in 2019 and 2018.

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

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

Individual financial statements

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

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

During 2017, 2018 and 2019, the Administrators of Prisa (the Company) took a number of measures to strengthen the Group's financial and asset structure, such as asset sale operations, capital increases and refinancing of its debt.

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

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

On March 20, 2019, the Company agreed to carry out a capital increase amounting to EUR 199,824 thousand, which was fully subscribed in April 2019 (*see note 7a*). This capital increase has been used to partially fund the acquisition of 25% of the share capital of Grupo Santillana Educación Global, S.L. *(see note 11).*

In addition, and in order to strengthen the financial structure of the Group, in September, 2019, the Board of Directors of Prisa agreed to sell to Cofina SGPS, S.A. (“Cofina”) its 100% stake in Vertix SGPS, S.A. (“Vertix”), owner of a 94.69% interest in Grupo Media Capital SGPS, S.A. (“Media Capital”), based on an Enterprise Value of EUR 255,000 thousand, which implied a purchase price, for the 94.69% of Media Capital, of EUR 170,636 thousand for Prisa’s indirect stake in Media Capital. On December 23, 2019 the Board of Directors agreed to amendment the share purchase agreement establishing a final price of the transaction of EUR 123,290 thousand, based on Enterprise Value of EUR 205,000 thousand.

The execution of the transaction is subject to obtaining the required authorization from the Portuguese regulatory authority (Entidade Reguladora para a Comunicaçao Social – ERC) (which has already communicated its preliminary decision of not opposition to the transaction, being its final decision still pending to be adopted), and at the expense of Cofina completing the process of financing, planned for the first quarter of 2020. This agreement meant an accounting loss at the parent Company for EUR 132,549 thousand in 2019 (a EUR 131,568 thousand loss in the consolidated financial statements) (*see note 10b*).

As of December 31, 2019, the equity of the parent Company (including participating loans outstanding at year-end) stood at EUR 407,861 thousand, below two thirds of total share capital, although representing over half of share capital. In this sense, the company has an imbalanced equity situation in terms of the obligation to reduce share capital in the period of one year, according to Article 327 of Spain’s Corporate Enterprises Act. This situation was due mainly to the losses recognised by the Company in 2019 because of (i) the agreement for the sale of Vertix described above and (ii) the impairment of its investment in Prisa Participadas, S.L.U. resulting from the unfavourable court ruling against Audiovisual Sport, S.L. (subsidiary of Prisa Participadas) due to the conflict with Mediapro described in note 15. In this regard, the Company's Board of Directors has agreed to propose to the shareholders at the Annual General Meeting a reduction in share capital credited to reserves, which will enable the equity balance of the Parent to be restored within the set legal period.

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

b) Entry into force of new accounting standards

IFRS 16 “*Leases*” has replaced IAS 17 and associated interpretations as of January 1, 2019 (transition date). The main novelty is that all leases (with some limited exceptions) have been recorded in the balance sheet with an impact similar to that of the previous financial leases, there being an amortization expense for the right-of-use asset and a financial expense for the financial update of the liability arising from the lease. The standard does not introduce significant changes for the accounting of lease contracts by the lessor.

The Group has a significant number of lease contracts as lessee, mainly for buildings and offices, as well as administrative radio concessions. Under IAS 17 these contracts were classified as operating leases.

The Group has opted to apply IFRS 16 on the transition date through the modified retrospective method, without restating the comparative information. In this sense, the following criteria have been applied:

- It has been decided to measure the right-of-use asset on the date of transition for the amount equivalent to the financial liability, measuring the latter as the present value of the remaining lease payments, discounted by the discount rate.

- For the discount rate, the incremental rate of the lessee's debt has been applied, considering, among other factors, economic conditions within the country and the currency of the contract. In this regard, the Group has used common discount rates for groups of contracts with similar characteristics and economic environment. The weighted average discount rate applied to lease liabilities at the date of initial application is between 5.5% and 6%.

- It has been decided not to recognise in the balance sheet the liability and right-of-use asset corresponding to those contracts for the lease of assets of low value.

- The initial direct costs of the initial valuation of the asset on the transition date have been excluded.

A review of the inventory of lease contracts classified as operating leases under the previous standard and of certain service contracts eligible for classification as a lease under the new standard was carried out and no significant differences arose as a result of this analysis.

For those leases previously classified as finance leases in accordance with IAS 17, the amount of the right-of-use asset and that of the financial liability on the transition date has been the equivalent to the carrying amount of the asset and the liability recognised on December 31, 2018.

The impact of the entry into force of IFRS 16, as of January 1, 2019, has led to the recognition of a financial liability in the amount of EUR 155.2 million, with a balancing entry of a tangible and intangible for the right-of-use asset. Likewise, the impact of the aforamentioned standard in the consolidated income statement (excluding Media Capital) has meant an additional annual amortization of some EUR 28 million, an annual financial expense of approximately EUR 8 million in 2019 and a reduction in operating expenses for rental registered on the basis of IAS 17 of approximately EUR 32 million per year.

The cash payments of the financial lease liability are included within cash flows from financing activities of the accompanying condensed consolidated cash flow statement.

Below is the impact of the first application of IFRS 16 in the consolidated financial statements as of January 1, 2019 and the impact of this same standard as of December 31, 2019:

	Thousand of euros	
	01.01.2019 (*)	12.31.2019
Property, plant and equipment	**152,788**	**132,146**
Land and buildings	133,363	116,569
Plant and machinery	1,655	-
Other items of property, plant and equipment	17,770	15,577
Intangible assets	**9,118**	**10,439**
Other intangible assets (administrative concessions)	9,118	10,439
Assets classified as held for sale	**3,794**	**9,686**
TOTAL ASSETS	**165,700**	**152,271**
Non- current financial liabilities for leases	**125,779**	**117,006**
Current financial liabilities for leases	**26,732**	**23,675**
Non- current bank borrowings for leases	**5,225**	**5,305**
Current bank borrowings for leases	**6,463**	**5,668**
Liabilities associated with assets classified as held for sale	**2,641**	**9,612**
TOTAL LIABILITIES	**166,840**	**161,266**

(*) The Group held lease contracts classified as finance leases prior to the entry into force of IFRS 16. The amount of the right-of-use asset and the financial liability (bank borrowings) relating to such contracts was EUR 10,547 thousand and EUR 11,688 thousand, respectively, at January 1, 2019, as per the carrying value at December 31, 2018.
The right-of-use asset and the financial liability of Media Capital Group at January 1, 2019 amounted to EUR 9,420 thousand, and at December 31, 2019 they are classified as *"Non- current assets held for sale"* and *"Liabilities associated with non-current assets held for sale"* in the accompanying consolidated balance sheet.

The reconciliation between the amount of operating lease commitments included in the consolidated financial statements at 31 December 2018 and the balance of financial liabilities under IFRS 16 recognised at the date of initial application of 1 January 2019 is as follows:

	Thousands of euros
Future payments for operating lease as of 12.31.2018	**209,996**
Debt for financial leasing IAS 17	11,688
Difference in term	(11,172)
Effect of the update of the financial liability (*)	(42,541)
Administrative concessions	9,118
Effect of the CPI and others	(10,249)
Initial financial liability balance for lease on 01.01.19	**166,840**

(*) The amount of future payments did not include discount factor

The application of the rest of the amendments and interpretations applicable from January 1, 2019 did not have a significant impact on the Group's consolidated financial statements for this year.

c) Changes to estimates

In 2019, there were no significant changes in the accounting estimates made at the end of 2018, except those referring to the recoverability of deferred tax assets and the value of the investment in Media Capital as described in notes 6 and 10b, respectively.

With regard to Vertix and Media Capital, as a result of the agreement reached for the sale of Vertix *(see notes 1a and 10b)* those companies have been valued at the transaction price less costs to sell, registering the corresponding adjustment for impairment loss in "*Net income for the year from discontinued operations net of tax*" .

d) Information comparison

In September 2019, as a consequence of the contract signed with Cofina for the sale of Vertix, which is the owner of Media Capital, the results of Media Capital were reclassified as a discontinued operation, under "*Net income for the year from discontinued operations net of tax*".

In accordance with IFRS 5 and for the purpose of comparison, the consolidated income statement and the consolidated cash flow statement for the 2018 financial year have been modified to present Media Capital as a discontinued operation *(see note 10b).*

Also, with Media Capital representing a segment of the Group, and being presented as a discontinued operation, this segment has been eliminated in the 2019 financial year and financial year 2018 has been modified for comparison purposes.

2. INTANGIBLE ASSETS

GOODWILL

The detail, by business segment and in thousands of euros, of the goodwill relating to fully and proportionately consolidated Group companies and of the changes therein in 2019 is as follows:

	Balance at 12.31.2018	Translation adjustment	Changes in scope of consolidation	Impairment	Transfer	Balance at 12.31.2019
Radio	102,408	(2,721)	866	(866)	-	99,687
Education	51,322	(594)	-	-	-	50,728
Other	255,118	-	-	(76,379)	(178,081)	658
Total	**408,848**	**(3,315)**	**866**	**(77,245)**	**(178,081)**	**151,073**

In the 'Other' segment, in September 2019 and as a result of the value of Vertix and Media Capital at the transaction price less costs of sale *(see note 1a)* an initial impairment of EUR 76,379 thousand was recorded in goodwill allocated to this company in the section *"Net income for the year from discontinued operations net of tax"* in the consolidated income statement *(see note 10b).* The remaining amount (EUR 178,081 thousand) was reclassified as a non-current asset held for sale.

OTHER INTANGIBLE ASSETS

Additions to the Group's consolidated financial statements under *"Other intangible assets'* during 2019 totalled EUR 53,604 thousand, corresponding mainly to:

- *'Prototypes'* amounting to EUR 37,855 thousand, relating to new prototypes for the publication of books at Grupo Santillana de Ediciones, S.L. , mainly in Brazil and in Spain.

- *'Computer software'* amounting to EUR 14,494 thousand, relating to the computer software acquired and/or developed by third parties for Group companies , mainly in Santillana, Prisa Noticias and Radio in Spain.

These additions includes the investments of Media Capital up to August 31, 2019 amounting to EUR 385 thousand, the date when the intangible assets of Media Capital were reclassified in the section *'Non-current assets held for sale'* on the consolidated balance sheet, due to the sale transaction set out in *note 11.* These additions as of December 31, 2019, amounted to EUR 617 thousand.

The intangible asset has been increased in 2019 by the activation of the leases of administrative concessions of Radio, for *a* net amount at December 31, 2019 of EUR 10,439 thousand.

The intangible asset amortization expense recorded in 2019 totalled EUR 46,053 thousand, of which EUR 4,396 thousand corresponding to the amortization of intangible assets held under leases.

3. PROPERTY, PLANT, AND EQUIPMENT

Additions to the Group's consolidated financial statements under *"Property, plant and equipment'* during 2019 totaled EUR 13,488 thousand, corresponding mainly to:

a) *'Plant and machinery'* amounting to EUR 3,067 thousand, mainly due to investments made by Grupo Media Capital, SGPS, S.A. until August 31, 2019 in postproduction system and by group Prisa Radio for the investments made in technical equipment in Colombia and Spain.

b) *'Other property, plant and equipment'* amounting to EUR 7,476 thousand, mainly for investments made by Santillana in digital developments and learning systems to be used in the classrooms by teachers and students and the acquisition of computers to the Group.

These additions includes the investments of Media Capital up to August 31, 2019 amounting to EUR 1,834 thousand, the date when the property, plant and equipment of Media Capital were reclassified in the section *'Non-current assets held for sale'* on the consolidated balance sheet, due to the sale transaction set out in *note 11.* These additions as of December 31, 2019, amounted to EUR 4,161 thousand.

In 2019, the assets of the printing plant of Barcelona have been written off, fully amortized and/or impairment.

The balance in the property, plant and equipment in lease, mainly correspond with the activation of the contract leases of offices and warehouses of the Group for a net amount of EUR 116,569 thousand as of December 31, 2019. In addition Education includes technological equipment in lease for use in the classroom by students and teachers integrated into teaching systems for a net amount of EUR 8,757 thousand.

The property, plant and equipment amortization expense recorded in 2019 totaled EUR 41,225 thousand of which EUR 23,067 thousand corresponding to the amortization of property, plant and equipment held under leases.

4. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The change in this consolidated balance sheet section in 2019 is mainly due to the equity in Sistema Radiópolis, S.A. de C.V. profits amounting to EUR 3,468 thousand and to the exchange rate effect.

5. NON-CURRENT FINANCIAL ASSETS

The variation in the heading *“Loans and receivable”* is mainly due to the short-term transfer of the account receivable derived from the sale of radio companies in the USA by GLR Services, Inc in 2018 for the amount of EUR 2,968 thousand.

6. TAX MATTERS

Deferred tax assets and liabilities

The movement in the heading *“Deferred Tax Assets”* mainly includes the effect of the tax credit recovery analysis, according to the criteria established by the accounting regulations, which has led to a withdrawal of tax credits corresponding to (i) investment deductions for a total of EUR 1,128 thousand, (ii) deductions for double taxation of EUR 2,653 thousand, (iii) tax credits derived from the non-deductibility of net financial expenses for EUR 16,235 thousand and (iv) credits for negative tax bases amounting to EUR 1,027 thousand.

These reductions are due to higher estimated annual financial costs in the medium term as a result of (i) lower estimated debt repayment derived mainly from a lower sale price of Media Capital, and (ii) higher net debt to resolve the dispute with Mediapro *(see note 15).*

The net variation of the *“Deferred Tax Liabilities”* heading amounting to EUR 6,381 thousand mainly includes the different accounting and tax allocation criteria for certain institutional sales made in Brazil as well as certain amortisation expenses for intangible assets.

Tax Inspections

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

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

With regard to the Value Added Tax for the period from June 2007 to December 2008, the audits were finalised with the opening of two Notices, one for EUR 539 thousand, and the other for EUR 4,430 thousand, both of which have been the subject of economic-administrative appeals before the TEAC. A resolution partially upheld by the TEAC was received against the one filed in the corresponding administrative resource that is pending resolution. The tax debt arising from these notices was paid. No additional equity impact will be derived from these actions.

The audit procedure regarding the Value Added Tax for the period of May 2010 to December 2011 of VAT Group 105/08 of which Promotora de Informaciones, S.A. is the parent company, ended with the signing of a notice of agreement for the amount of EUR 512 thousand, which was paid and recorded in 2016; and another notice of disagreement for the amount of EUR 7,785 thousand, which, although it has been appealed, was also paid and recorded with a charge to the profit and loss account. No additional equity impact will be derived from these actions.

The audits related to the Corporate Tax corresponding to 2009 to 2011 in Fiscal Consolidation Group 2/91, of which Promotora de Informaciones is the parent company, and in Fiscal Consolidation Group 194/09, of which Prisa Radio, SA was the parent company, were completed in 2016. For Promotora de Informaciones, S.A., these resulted in the signing of a Notice of disagreement with no amounts payable. Prisa filed the corresponding economic-administrative appeal with the TEAC and, later, a contentious-administrative appeal before the National Court, which is currently pending resolution. Regarding Prisa Radio, SA a Notice of disagreement amounting EUR 866 thousand was signed, in relation to which the relevant economic-administrative appeal with the TEAC was filed, and on the date of these explanatory notes, it has been dismissed. Prisa Radio, S.A. will submit the corresponding appeal before the National Court. No additional equity impact will be derived from these actions.

In 2018, the Value Added Tax inspections were completed with the signing of a notice of agreement for the amount of EUR 3,182 thousand, which was paid in 2019, but which did not have any impact on equity since it was provided for in previous fiscal years.

In 2019, the 2012 and 2013 Corporate Income Tax inspections for the Group 194/09 of which Prisa Radio, S.A, was the dominant company, and the Corporate Income Tax inspection for 2012 to 2015 for the Fiscal Consolidation Group 2/91, of which Promotora de Informaciones, S.A., is the dominant company, were completed with the signing of two economic-administrative appeals from which no payable fee has been derived, and whose main effect has been a redistribution in tax credits from one category to another. The companies, not in agreement with the adjustment made by the Tax Inspection, have submitted the corresponding economic-administrative claims to the TEAC, which are pending resolution. No additional equity impact will be derived from these actions.

On the date of preparing these explanatory notes, inspections have been initiated regarding the Value Added Tax for the periods 2016-2018, of the VAT Group 105/08, of which Promotora de Informaciones, S.A., is dominant company.

Other relevant tax matters

Derived from the same tax reform ushered in by Royal Decree-Law 3/2016, of 2 December, the Group has now recognised an additional expense of EUR 3,531 thousand for corporate income tax, as a result of the minimum five-year integration of the reversal of impairment losses on the equity instruments of companies that were tax deductible in the past.

7. EQUITY

a) Share capital

On January 1, 2019, the share capital of Prisa amounted to EUR 524,902 thousand, represented by 558,406,896 ordinary shares all of which belong to the same class and series, with a nominal value of EUR 0.94 each, fully paid up and have the same rights.

In April 2019 the Company increased its share capital, with preemption rights, for an amount of EUR 141,229 thousand, through the issuance and subscription of 150,243,297 new ordinary shares at a nominal value of EUR 0.94 each, of the same class and series as the shares outstanding. The issue price of the shares was EUR 1.33 each (EUR 0.94 nominal value and EUR 0.39 share premium each).

Consequently, total effective amount of the capital increase, considering the nominal value of the total shares (EUR 141,229 thousand) and share premium (EUR 58,595 thousand), amounted to EUR 199,824 thousand.

This capital increase has been executed under the delegation approved by the General Shareholders Meeting held on April 25, 2018.

On December 31, 2019, the share capital of Prisa amounts to EUR 666,131 thousand and is represented by 708,650,193 ordinary shares, all of which belong to the same class and series, each with a par value of 0.94 euros, and have been fully paid up.

b) Share premium

As a result of the capital increase described above, the share premium increased in an amount of EUR 58,595 thousand. Expenses related with this capital increase have been accounted as a lower amount of the share premium and amounted to EUR 5,927 thousand.

The issue premium reserve at December 31, 2019 amounts to EUR 254,180 thousand and it is totally unrestricted.

8. LONG-TERM PROVISIONS

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

The details of the changes in this section for 2019 are as follows:

	Thousands of euros						
	Balance at 12/31/2018	Translation adjustment	Changes in scope of consolidation	Charge for the year	Amounts used /Disposals	Transfers	Balance at 12/31/2019
For taxes	8,698	-	-	262	(270)	(5,306)	3,384
For indemnities	5,425	(9)	-	1,113	(2,468)	-	4,061
For third-party liability and other	14,444	(19)	(209)	4,342	(3,960)	96	14,694
Total	**28,567**	**(28)**	**(209)**	**5,717**	**(6,698)**	**(5,210)**	**22,139**

In 2019, the *"Transfers"* column includes EUR 5,800 thousand for the balance of the long-term provisions of Media Capital as of August 31, 2019, the date on which the company's liabilities were reclassified under "*Liabilities associated with assets classified as held for sale"* in the consolidated balance sheet, as a result of the sale described in note 11.

9. FINANCIAL LIABILITIES

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

	Non-current financial liabilities	Current financial liabilities	Total financial liabilities
	12.31.2019	12.31.2019	12.31.2019
Bank borrowings	1,164,869	50,188	1,215,057
Financial liabilities for leases	117,006	23,675	140,681
Other financial liabilities	201	70	271
Total	**1,282,076**	**73,933**	**1,356,009**

Bank borrowing

The most significant balance under "Financial liabilities" relates to bank borrowings, the details of which, in EUR thousand, as of December 31, 2019 are as follows:

	Drawn-down amount maturing at short term	Drawn-down amount maturing at long term
Syndicated loan Prisa (Tranche 2)	15,000	976,512
Syndicated loan Prisa (Tranche 3)	-	161,080
Super Senior credit facility	-	36,500
Credit facilities	20,185	-
Loans	8,155	2,872
Finance leases, interest and other	6,848	5,305
Fair value in financial instruments	-	(17,400)
Total	**50,188**	**1,164,869**

Refinancing-

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

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

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

- The amount of the debt of Tranche 2 was set at EUR 956,512 thousand and the maturity of which is extended to November 2022.
- The amount of the debt of Tranche 3 was set at EUR 161,080 thousand and with a maturity that is extended to December 2022.

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

The Company's Refinancing agreement contemplates the mechanism of automatic conversion of Tranche 3 debt to Tranche 2 as the aforementioned Tranche 2 is reduced by forced or voluntary amortization debt.

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

EUR 35,000 thousand of Tranche 2 debt was drawn down in September 2019 to settle the payment of the unfavourable ruling in the Mediapro dispute of 29 March 2019, according to the Refinancing. The rest of the payment was attended mainly with the use of the deposit constituted of EUR 15,000 thousand *(see note 15).* This provision replaces the guarantee issued to cover the aforementioned litigation.

Compliance with certain financial ratios is established in the financial agreements for the Prisa Group, which have been complied with since the Refinancing came into force. These contracts also include provisions on cross-default, which could cause, if the breach exceeds certain amounts, the early maturity and resolution of the contract in question, including the Override Agreement. Since the Refinancing came into force no such breaches have occurred.

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

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

Other aspects of debt-

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

Personal guarantees

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

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

Guarantees

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

Part of Prisa's investment in Grupo Santillana Educación Global, S.L. (100% share capital), in Prisa Radio, S.A. (80% share capital) and Grupo Media Capital SGPS, S.A. (84.69% share capital) and the 100% of the investments (100% share capital) in Prisa Activos Educativos, S.L.U., Prisa Activos Radiofónicos, S.L.U., Prisa Noticias, S.LU., Prisaprint, S.L.U. and Prisa Gestión Financiera, S.L.U. was also pledged, thereby insuring Tranches 2 and 3.

Other aspects

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

Super senior credit facility -

On June 29, 2018, and within the framework of Refinancing the debt, the Company established a Super Senior credit facility for a maximum amount of up to EUR 86.5 million, of which 50 million had the objective of financing the Company's operating needs. In April 2019, as a result of the acquisition of 25% of Santillana, the credit facility was increased by EUR 30 million, for a maximum amount of up to EUR 116.5 million. As of December 31, 2019, EUR 36.5 million has been draw down to finance the acquisition by Prisa Radio, S.A. of shares of 3i in treasury shares.

The guarantee structure of this Super Senior credit policy is the same as the one mentioned above relating to Tranche 2 and 3 of the debt of Prisa, in such a way that the creditors of said credit policy and those of Tranche 2 and 3 have the same guarantees. However, the Super Senior credit policy has a preferential rank with respect to Tranches 2 and 3 in relation to said guarantees. Also, Grupo Media Capital, SGPS, S.A. assumes certain restrictions in relation to this credit policy.

Financial liabilities for leases

The application of IFRS 16 Leases has resulted in an addition of the financial liabilities associated with the leases, amounting at December 31, 2019 to EUR 117,006 thousand in the long term and EUR 23,675 thousand in the short term *(see note 1b).*

The detail of the maturities of the financial liabilities for lease is as follows:

Maturity	Thousands of euros
Within 6 months	10,918
From 6 to 12 months	12,757
From 1 to 3 years	35,493
From 3 to 5 years	24,526
After 5 years	56,987
Total	**140,681**

In 2019, the payment associated with financial liabilities for leases amounts to EUR 32.4 million.

10. CONSOLIDATED INCOME STATEMENT

a) Operating income

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

	Thousands of euros	
	2019	2018
Advertising sales and sponsorship	351,868	359,190
Sales of books and training	615,712	578,718
Newspaper and magazine sales	61,190	68,267
Sales of add-ons and collections	11,538	9,815
Sale of audiovisual rights and programs	-	2,192
Intermediation services	5,648	10,563
Other services	19,393	36,574
Revenue	**1,065,349**	**1,065,319**
Income from non-current assets	10,442	19,536
Other income	19,759	13,782
Other income	**30,201**	**33,318**
Total operating income	**1,095,550**	**1,098,637**

In 2019, the heading "*Income from non-current assets*" mainly includes the profit from the sale of Radio Chile frequencies in the amount of EUR 4,850 thousand and the result of leaseback of the Moderna building, owned to Santillana Administraçao de Bens Própios, Ltda., amounting to EUR 3,649 thousand.

b) Profit and loss after tax from discontinued operations

As of December 31, 2019, the headline *"Net income for the year from discontinued operations net of tax"* includes the following items, associated with sale of Vertix:

- Impairment of the goodwill for the loss resulting from the registration of the sale agreement for an amount of EUR 76,379 thousand *(see note 2).*
- The recording of an additional impairment from the revision of the value of the transaction as of December 31, 2019, for EUR 55,189 thousand *(see notes 1a and 11).*

- The contribution of the result of Media Capital to the results of the Group during the year 2019, offset by the effect of the decrease in the net assets of Media Capital from the moment of acceptance of the binding offer for a positive amount of EUR 3,421 thousand.

11. CHANGES IN THE GROUP STRUCTURE

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

Subsidiaries

In February 2019, GLR Chile, Ltda, acquired 50% of Multimedios GLP Chile SPA, thus acquiring 100% of the company. Following the deal, Multimedios GLP Chile SPA is now reported using the full integration method and no longer under the equity method.

In March 2019, Prisa Inc, a company owned by Prisa Participadas, S.L., was liquidated.

In May 2019, the merger by absorption of Sogecable Música, S.L. with Sociedad Española de Radiodifusión, S.L. was produced.

In August 2019, following mergers by absorption are produced in Grupo Media Capital:

- Argumentos para Audiovisual, Lda mergers with Plural Enterainment Portugal, S.A.
- Polimedia- Publicidade e Publicações, Lda and Radiodifuçao e Publicidade, Unipessoal, Lda merger with Leirimedia, Produções e Publicidade, Lda.
- Flor Do Éter Radiodifusäo, Lda. and Rádio Voz de Alcanena, Lda. merger with Drums Comunicaçöes Sonoras, Unipessoal, Lda.

In September 2019, the liquidation of Plural Entertainment Canarias, S.L. took place.

Also, in September 2019, LS4 Radio Continental, S.A. acquired 100% of Nostalgie Amsud, S.A.

Likewise, in September 2019, Pressprint, S.L.U. and Norprensa, S.A. merge with Prisaprint, S.L.

In October 2019, the merger by absorption of Sociedad de Impresa Radio Paralelo, Lda. and Rádio do Concelho de Cantanhede, Lda. with Radio XXI, Lda. were produced, companies belonging to Grupo Media Capital.

Also, in October 2019, the merger by absorption of Prisa Producciones de Video, S.L. with Prisa Participadas, S.L. was produced.

In December 2019, the company Santillana Administraçao de Bens Própios, Ltda was sale *(see note 10a)*.

Likewise, in December 2019, the liquidation of Audiovisual Sport, S.L. took place.

Also, in December 2019, the merger by absorption of Iniciativas Radiófonicas, S.A. with Sociedad Española de Radiodifusión, S.L. was produced.

Associates

In June 2019, Prisa Brand Solution, S.L.U. acquired 33.33% of Zana Investments 2018, S.L., this company is consolidated by the equity method.

In December 2019, Factoría Plural, S.L. and its investee Chip Audiovisual, S.A. were sale.

These changes in the Group structure have not had a significant impact on the consolidated financial statements.

When comparing the information for 2019 and 2018, these changes, the effect of which is presented separately in these notes to the consolidated financial statements in the *“Changes in the consolidation scope"* column, should be taken into account.

Significant operations

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

In that same date, Prisa Activos Educativos, S.L. - a subsidiary wholly owned by Prisa - and DLJ entered into a sale and purchase agreement in relation to the quotas representing 25% of the share capital of Santillana. The price of the acquisition was established at a fixed amount of EUR 312.5 million.

The acquisition was finally closed on April 12, 2019 after the mandatory authorization by the National Commission of Markets and Competition and the receipt of the capital increase funds (*see note 1a*).

This acquisition has led to a reduction in consolidated net equity attributable to the parent of EUR 181.6 million because, in accordance with IFRS 10, it corresponds to an equity transaction, due to the transaction is about the acquisition of minority percentages that has not given rise to a change in control. That reduction occurs as a result of deducting on acquisition price the associated non-controlling interest balance amounting to EUR 3.2 million and, the deregistered of the financial liability for the amount of EUR 127.7 million, that accounted the obligation to pay a preferential dividend for a minimum annual amount of USD 25.8 million to DLJ, without significant impact on the accompanying condensed consolidated income statement, as there are hardly any difference between the financial liability recorded in books and the fair value thereof at the date of the transaction (calculated as the present value of the preferential annual dividends discounted at the interest rate applicable to instruments with similar credit characteristics).

The short-term liability corresponding to the payment obligation of the preferred dividend accrued during the financial year 2018 and accrued during 2019 up to the time of the transaction, in April 2019, amounting to EUR 29.5 million, has also been deregister as a result of the payment on that date.

In September 2019, the Prisa Board of Directors agreed to sell to Cofina its 100% stake in Vertix, owner of a 94.69% interest in Media Capital (*see note 1a*).

The result of this transaction is presented in the accompanying consolidated income statements as *“Loss after tax from discontinued operations” (see note 10b).* The assets and liabilities of this business are classified since September 2019 as *“Non-current assets held for sale”* and *“Liabilities associated with non-current assets held for sale”* in the accompanying consolidated balance sheet.

12. AVERAGE NUMBER OF EMPLOYEES

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

	2019		2018	
	Women	Men	Women	Men
Executives	118	238	110	260
Middle management	487	634	485	641
Other employees	3,445	3,787	3,268	3,774
Total	**4,050**	**4,659**	**3,863**	**4,675**

The previous employee figures included staff at Media Capital, and expenditure on personnel is included under *"Loss from discontinued operations*" in the accompanying consolidated income statement *(see notes 10b and 11).* The breakdown of the Media Capital workforce was as follows:

The breakdown of the average workforce, by gender, at Media Capital was as follows:

	2019		2018	
	Women	Men	Women	Men
Executives	11	40	13	42
Middle management	20	31	18	28
Other employees	391	561	384	537
Total	**422**	**632**	**415**	**607**

13. REMUNERATION OF DIRECTORS AND EXECUTIVES

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

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

Compensation of the Board of Directors

i) The aggregated remuneration of Prisa Directors corresponds to the accounting provisions made in the income statement of Prisa and other companies of its Group and consequently it corresponds to the accounting provisions registered in the profit and loss account.

Therefore the compensation included in the table above, do not match, in some respects, with the remuneration that will be included in the Annual Remuneration Report of the Directors 2019 (IR) and in the Annual Report on Corporate Governance 2019 (IAGC), in which it is followed the criteria required by the "Circular 2/2018 of the CNMV, whereby the model of annual report remuneration of directors is established", which is not the accounting provision basis.

ii) The overall remuneration of the Board of Directors includes that of Mr. Waaled Alsa'di and of Mr. Francisco Gil up to the time of their cease as directors in June and July 2019, respectively.

The remuneration of Ms. Beatrice de Clermont –Tonerre and Ms Maria Teresa Ballester is that from their appointment as directors on June 3 and July 30, 2019, respectively.

iii) Remuneration of Mr. Javier Monzón de Cáceres (non-executive Chairman since January 1, 2019) and of Mr. Manuel Polanco Moreno:

The Board of Directors of Prisa held in December 2018 agreed to the cessation of Mr. Manuel Polanco Moreno as non-executive Chairman, effective January 1, 2019, and agreed to the appointment of Mr. Javier Monzón de Cáceres, at that time non-executive Vice Chairman and

Coordinating Director, as non-executive Chairman of the Board of Directors of Prisa, with effect also from January 1, 2019.

The General Shareholders' Meeting held on June 3, 2019, has modified the Remuneration Policy of the Prisa directors for the period 2018-2020, to establish the new remuneration conditions applicable to the non-executive Chairman of the Board of Directors, with retroactive effect as of January 1, 2019, which has been fixed at EUR 400 thousand per year.

Mr. Manuel Polanco Moreno remains a director of Prisa and from January 1, 2019, he receives the remuneration that the Remuneration Policy provides for the directors, in their capacity as such, as member of the Board of Directors and the Delegated Commission.

iv) Within the variable remuneration in cash of the directors are included the following items (which amounts in some cases differ from those that are included in the IR and in the IAGC, for the reasons that have already been explained in relation to the different criteria followed by CNMV Circular 2/2018):

- Annual variable compensation (bonus): is the reflection of the amount corresponding to theoretical annual variable compensation of CEO Mr Manuel Mirat, sole executive director of the Company, if 2019 management objectives are achieved. However, since this compensation is subject to achievement of the management objectives at the end of the year 2019, 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 2019 annual accounts of the Group are prepared, based on the level of achievement of the objectives established by the Board of Directors.

- Regularization of 2018 bonus paid in April 2019 to the CEO.

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

In 2019, an accounting expense of EUR 964 thousand was recorded for this item in relation to the CEO of Prisa. This expense is included within “Compensation systems based on shares” in the previous table. However, since this compensation is subject to achievement of the certain objectives, the accounting figure in no way constitutes acknowledgment that that variable compensation has accrued, which will occur, if at all, once the year 2020 is closed and the annual accounts of the Group are prepared, based on the level of achievement of the established objectives.

vi) No other credits, advances or loans have been made, nor were pension obligations incurred, in respect of the Board of Directors during 2019.

Managers´s compensation

The aggregate compensation of the managers is the compensation of members of senior management, that being understood to be the members of the Management Committee that are not executive directors and have an employment or mercantile relationship with Prisa and other companies in the Group, managers who regularly attend meetings of the Committee, and the Internal Audit Manager of Prisa. Specifically, as of December 31, 2019, it is that of the following executives: Mr. Xavier Pujol, Mr. Guillermo de Juanes, Mr. Augusto Delkáder, Mr. Jorge Rivera, Ms. Marta Bretos, Mr. Miguel Angel Cayuela, Mr. Pedro García- Guillén, Mr. Alejandro- Martinez

Peón, Ms. Virginia Fernández, Mr. Luis Cabral and Mr. Jorge Bujía (the two latest have joined the management team in July and June 2019, respectively). Until July 2019, Ms. Rosa Cullel (former CEO of Media Capital) was also part of the management team.

The total aggregate compensation of members of senior management of Promotora de Informaciones, S.A. and other companies in the Group is the accounting reflection of the overall compensation of managers and therefore do not match with the remuneration accrued in 2019 that will be included in the Annual Report of Corporate Governance 2019 in which is followed the criteria required by the CNMV in the "Circular 2/2018 of the CNMV", which is not the accounting provision basis.

The total aggregate compensation in 2019 amounts to 6,688 (EUR 6,790 thousand in 2018).

Regarding fiscal year 2019:

i) The compensation of Mr. Luis Cabral and Mr. Jorge Bujía is that from their appointment as CEO of Media Capital and Director of Risk Control and Management Control, in July and June 2019, respectively.

It is also included the compensation of Ms. Rosa Cullel up to the time of her cease as CEO of Media Capital in July 2019.

ii) The remuneration of the senior management includes, inter alia:

- Annual variable compensation (bonus): reflection of the amount corresponding to theoretical annual variable compensation of the executives if 2019 management objectives are achieved. However, since this compensation is subject to achievement of the management objectives at the end of the year 2019, 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 2019 annual accounts of the Group are prepared, based on the level of achievement of the established objectives.

- Regularization of 2018 bonus paid in April 2019.

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

  In 2019, an accounting expense of EUR 2,228 thousand was recorded for this item in relation to the senior management. However, since this compensation is subject to achievement of the certain objectives, the accounting figure in no way constitutes acknowledgment that that variable compensation has accrued, which will occur, if at all, once the year 2020 is closed and the annual accounts of the Group are prepared, based on the level of achievement of the established objectives.

14. RELATED-PARTY TRANSACTIONS

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

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

Transactions with significant shareholders

Section 2350: the aggregate amount of **EUR 25,818 thousand** mainly consists of expenditure on telephony and Internet by Prisa Group companies with Telefónica, the expense by the leasing of offices in Tres Cantos with Telefónica, as well as finance costs derived from credits granted by major shareholders to Prisa Group companies, mainly the Refinancing interest expenses corresponding to HSBC Holding, PLC, and Banco Santander, S.A. amounting to EUR 15,033 thousand *(see note 9).*

Section 2358: the aggregate amount of **EUR 419,784 thousand** mainly included the loans granted to Prisa Group companies by:

- Banco Santander, S.A. amounting to EUR 46,902 thousand (EUR 37,425 thousand at December 31, 2018).

- HSBC Holding, PLC amounting to EUR 367,615 thousand (EUR 367,615 thousand at December 31, 2018).

Section 2360: the aggregate amount of **EUR 4,521 thousand** mainly consists of income of Prisa Group companies for advertising services with Banco Santander, S.A. and Telefónica, S.A.

Section 2385: the amount of **EUR 7,375 thousand** includes the expenses of the capital increase of April 2019 corresponding to Banco Santander, S.A. registered in the heading *"Net income – Share premium"* in the accompanying consolidated balance sheet *(see note 8a)* amounting to EUR 5,375 thousand and the estimation of cost associate to the sale of Vertix amounting to EUR 2,000 thousands *(see notes 1a and 11).*

Transactions with directors and executives

Section 2348: the aggregate amount of **EUR 9,966 thousand** corresponds to the expense recorded for remuneration of directors and executives, in accordance with the breakdown and explanations set out in Chapter IV, section 13.

Transactions between Group employees, companies or entities

Section 2350: the aggregate amount of **EUR 3,278 thousand** mainly consists of expenditure on leasing radio frequencies with investee companies and the financial cost impairment of the loans granted to certain companies of radio in Panamá and Argentina.

Section 2360: the aggregate amount of **EUR 5,299 thousand** mainly consists of income received by Radio España for technical assistance and advice services, income received from the sale of newspaper to Kioskoymás, Sociedad Gestora de Plataforma Tecnológica, S.L, income for the sale of advertising to Sistema Radiópolis, S.A. de C.V. and income received for commercialization of advertising with Zana Investment 2018, S.L.

15. ONGOING LITIGATIONS AND CLAIMS

a) Transactional agreement with Mediapro

On April 12, 2019, the Provincial Court of Madrid notifies Audiovisual Sport, S.L. (“AVS”) -Company integrated in the Prisa Group until its liquidation in December 2019- an order dated on March 29, 2019, by which it partially estimates the appeal filed by Mediaproduction, S.L.U. (“Mediapro”) against the order of the Court No. 36 of December 5, 2017, condemning AVS to pay EUR 51,036 thousand in compensation for damages (against which there was no ordinary recourse), and an expense for that amount has been recognised in “*Other external services*” (*see note 14*).

On September 4, 2019, AVS, on the one hand, and Mediapro e Imagina Media Audiovisual, S.A.U. ("Imagine") (Mediapro and Imagina, jointly, the "Mediapro Group"), on the other hand, signed a transactional agreement whereby they agreed (i) to pay the compensation of EUR 51,036 thousand, ending the procedure it brought cause and (ii) terminate the two additional disputes between AVS and the Mediapro Group, by compromising on their respective objects.

b) CNMC

On October 5, 2017, the National Markets and Competition Committee (CNMC) notified Santillana and its Spanish subsidiaries (in addition to most of the members of the Spanish Textbook Editor Association “ANELE”) that it was opening a file (S/DC/0594/16) as there were indications that the entities participated in the practices contrary to Articles 1 of the Competition Defense Law (LDC) and 101 of the Treaty on the Functioning of the European Union.

On May 30, 2019, the CNMC issued the resolution for that file by means of which Grupo Santillana Educación Global, S.L. and certain of its Spanish subsidiaries (Santillana Educacion, S.L., Ediciones Grazalema, S.L., Edicions Obradoiro, S.L., Edicions Voramar, S.A., Zubia Editoriala S.L. and Grup Promotor d’Ensenyament i Difusio en Catala, S.L.) were sanctioned to pay a fine amounting EUR 9,200 thousand collectively due to engaging in two anticompetitive practices: one related with the performance and application of the Code of Conduct of ANELE and the other related to an alleged agreement with aimed at homogenizing digital books prices and marketing conditions. The resolution sanctions all of the members of ANELE that were part of the file.

Santillana, that rejects the CNMC resolution has appealed CNMC’s ruling before the National Court (*Audiencia Nacional*) claiming the nullity of such resolution, pending, at the date of formulation of these consolidated financial statements, the filing of the corresponding plaint.

We do not expect, based on advice from internal and external legal counsel, that the resolution of this case will have an adverse effect on our consolidated financial results and have not made a provision for it.

c) Other litigations

In addition, the Group is involved in other litigations for smaller amounts. The Directors and internal and external advisors do not consider that any relevant liabilities will arise from such litigations.

16. EVENTS AFTER THE BALANCE SHEET DATE

No significant events have occurred since December 31, 2019 until the date of approval of these consolidated financial statements

Prisa Group

Consolidated Directors' Report for the 2019 financial year

1. BUSINESS PERFORMANCE

1.1. Analysis of the evolution and result of business

The Group uses EBITDA to monitor the performance of its businesses and establish operational and strategic objectives for Group companies.

During 2019, the Group has redefined EBITDA by incorporating changes in operating allowances, so the definition of EBITDA is as follows: EBITDA is defined as profit from operations plus assets depreciation expense and impairment of assets.

For the comparability of the information, the figures for 2018 have been modified.

The following tables detail the reconciliation between EBITDA and the Group's profit from operations for each of the segments of the first half of 2019 and 2018 (in millions of euros):

	12.31.2019				
	Education	Radio	Press	Other	Prisa Group
PROFIT FROM OPERATIONS	**112.9**	**43.2**	**0.4**	**(61.0)**	**95.5**
Depreciation and amortization	58.4	17.6	9.9	1.4	87.3
Impairment of goodwill	-	0.9	-	-	0.9
Impairment of assets	3.9	1.7	1.8	-	7.4
EBITDA	**175.2**	**63.4**	**12.1**	**(59.6)**	**191.1**

	12.31.2018				
	Education	Radio	Press	Other	Prisa Group
PROFIT FROM OPERATIONS	**104.0**	**43.1**	**(7.2)**	**(12.9)**	**127.0**
Depreciation and amortization	45.6	8.2	4.8	0.2	58.8
Impairment of goodwill	-	-	2.9	-	2.9
Impairment of assets	1.8	0.2	0.4	0.2	2.6
EBITDA	**151.4**	**51.5**	**0.9**	**(12.5)**	**191.3**

Consolidated Group performance for 2019 was as follows:

- Group operating income amounted to EUR 1,095.5 million (-0.3%) and EBITDA to EUR 242.1 million (+8.1%). Both figures were negatively affected by the foreign exchange rate performance.

  The Group's adjusted operating revenue and EBITDA in local currency grew 2% and 12%, respectively.

- Key highlights in 2019 include:

- A lot of focus on Education, which is showing organic EBITDA growth of 19%.
  - Education sales growth of 9.2% in local currency with good performance for both private and public campaigns.
  - Focus on transformation and on growth of learning systems.
  - Good performance in private campaigns, with a focus on transformation and on the growth of the subscription models, and extraordinary performance in Spain, which grew revenue 16.3% because to new additions to primary this year. Subscription models

grew revenue 21.4% in local currency, up to EUR 142 million with a growth in students of 16%, up to more than 1,435,000 students.
  - Extraordinary performance in public (institutional) campaigns, which grew revenue 13.1% in local currency, due to the share reached with Brazil's new order and good repeat business.

- Radio remained stable as a whole in spite of the difficulties that were experienced by businesses in Latin America during the last part of the year (crisis in Chile). Results were affected by a perimeter effect due to the difficult environment in Chile and a 2018 comparison that was conditioned by the impact of the World Cup and politics.

  - In Spain, total revenue remained stable with (above-market) growth of 1.9% in advertising revenue and a drop in other revenue due to a perimeter effect.
  - In Latin America, total revenue dropped 2.6% due to the impact that the World Cup and Politics had in 2018, the sale of assets, and the uprising in Chile in 2019. Without impact, growth of 4.7%.
  - The EBITDA is slightly below in comparison with previous year (EUR 63.4 million versus EUR 64.2 million). Without impact, growth of 3%, driven by Spain (+6%) and Latin America (+2%).

- Press improves operations substantially, driven by the growth of its digital business and improved efficiencies.

  - Advertising revenue remained stable in spite of the impact that the World Cup had in 2018, driven by the performance of digital advertising, which grew 6% and now represents 31% of total Press revenue (57% of total advertising revenue)
  - Improvements of 22% in distribution margins, the result of agreements and efficiency measures achieved the previous year.
  - Press showed EBITDA growth of EUR 5.7 million, due to business growth and improved efficiencies with better KPIs for business in spite of the positive impact that the World Cup and the sale of assets had in 2018. Without impact, EBITDA growth of EUR 9.6 million.

Business performance for FY 2019 was as follows:

- In the **Education** division, operating income came in at EUR 628 million (+4.6% above the 2018 figure). Without the negative exchange effect (EUR -18.7 million), revenue grew +7.7% in comparison with 2018, in spite of the impact of the sale of assets in 2018 (Santillana USA and sale of Argentina building), thanks to the new items campaign in Spain, to the growth of institutional sales in Brazil and to the expansion of learning systems. Without the impact of property sales, Santillana revenue would have grown +10% in local currency compared to 2018.
  EBITDA reached EUR 175 million (+15.7%). If we excluded the exchange rate effect (-EUR 9.5 million) and the effect of applying IFRS 16, the EBITDA would grow 12.2% compared to 2018.

  - Campaigns for the South have developed as expected, with growth of subscription models based on learning systems and on institutional sales. In local currency, both revenue and EBITDA grew (adjusting the impact of IFRS 16), basically due to the performance of Brazil and Colombia, compensating worse performance in Argentina (due to the sale of property in 2018).

  - Campaigns for the North (mainly Spain and Mexico), performed well in 2019. In Spain, there were educational changes in 2019, which allowed revenue to grow +18.5% and the EBITDA 21.4%. Mexico has also developed favourably, due to growth in the learning systems and educational sales. These impacts compensated the impact caused by the sale of Santillana USA.

- The digital education systems (UNO, Compartir, Farias Brito, Educa, Kepler, Creçemos, Pitangua and Sistemas de Ingles) continued to expand in Latin America, with 16.3% growth in the number of students, up to 1.4 million students.

• In the area of **Radio**, operating revenue amounted to EUR 273.8 million, dropping -4.8% compared to 2018. Constant-currency revenue (negative exchange rate of EUR -5.6 million) dropped -2.8% due to significant effects: Politics and Football World Cup in 2018, the impact of the social uprising in Chile and property sales. Music was also abandoned in 2019. Excluding these effects, revenue grew +3.9%.
The EBITDA amounted to EUR 63.4 million, growing +EUR 11.9 million, due to the impact of IFRS 16. Excluding this impact and in local currency, the EBITDA is practically in line with 2018 (-EUR 0.5 million). If we also isolate the effects of the Football World Cup, of politics and the impact of the social uprising in Chile since October, growth would have been +3.5% in local currency.

- Prisa Radio advertising in Spain has dropped -0.8%, due to the impact of the cyberattack in November, which affected both local and on-air advertising. Therefore, local advertising was in line with 2018 (it was growing +3.6% until October, before the impact of the cyberattack). On-air advertising dropped -1.6% (without the effect of the cyberattack, it would have been in line with 2018).

- In Latin America, advertising dropped -1.3% in local currency (-7.6% in EUR), due to the effect of the elections and the World Cup in Colombia in 2018 and the impact of the social uprising in Chile. Without these effects and in constant currency, Prisa Radio would have grown +6% in Latin America.

- According to the last EGM, Prisa Radio in Spain maintained its leadership in both generalist and music radio.

• In the area of **Press**, as of FY 2019, the cross-departmental advertising sales units (PBS) and Technology have become part of the Press area. Operating revenue amounted to EUR 210.8 million, which means an overall drop of -4.7%, partly due to the effect of the Football World Cup in 2018 and the sale of assets that year (without these impacts, revenue would have dropped -2.8%). The drop in traditional advertising (hard-copy advertising and distribution) explains this decrease. The increase in digital advertising, improved distribution margins and costs savings as the result of agreements and efficiency measures achieved in 2018 compensated for this drop in revenue.
The EBITDA amounted to +EUR 12.1 million, an improvement of +EUR 11.2 million compared to 2018. With the impact of IFRS 16, the EBITDA improved +EUR 5.7 million. The activity, without including PBS and Prisa Technology, performed as follows:

- Advertising revenue in the period dropped by -1.0%, due to the impact of the Football World Cup in 2018. Without this effect, advertising would have grown 0.9%, thanks to the increase in digital advertising, which rose 8.7% (without taking the World Cup into account). Digital advertising represents 57% of total advertising revenue for the division (that weighting is 45% for the market), compensating the drop in traditional advertising of -8.9%.

- Circulation revenue dropped -10.4%, partly due to doing away with block sales in Latin America throughout 2018. Without this impact, the drop in sales of issues was -8.3%. In spite of this drop in revenue, the issue margin grew +24.6%.

- Promotional revenue increased by 15.5%, and the result is still positive.

- An average of 131 million unique browsers was recorded in 2019 (+4.2%).

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

Prisa defines the **exchange rate effect** as the difference between the financial magnitude converted using the exchange rate of the current fiscal year and the same financial magnitude converted using the exchange rate on the previous fiscal year. The following table shows the exchange rate effect on operating income and EBITDA for the Education and Radio business and for the Prisa Group (in millions of euros):

	2019	Exchange rate effect	2019 excluding exchange rate effect	2018	Change excluding exchange rate effect	Change (%) excluding exchange rate effect
Education (**)						
Operating income	628.0	(18.7)	646.7	600.5	46.2	7.7
EBITDA	175.2	(9.5)	184.7	164.6	20.0	12.2
Radio						
Operating income	273.8	(5.6)	279.4	287.6	(8.2)	(2.8)
EBITDA	63.4	(0.3)	63.7	64.2	(0.5)	(0.7)
Prisa Group						
Operating income	**1,095.5**	**(24.1)**	**1,119.7**	**1,098.6**	**21.1**	**1.9**
EBITDA	**191.1**	**(9.8)**	**200.9**	**224.0**	**(23.1)**	**(10.3)**
EBITDA excluding Mediapro rulling	**242.1**	**(9.8)**	**251.9**	**224.0**	**27.9**	**12.5**

(*) IFRS16 effect included in 2018 EBITDA for a comparable basis
(**) Excluding the exchange rate effect of Venezuela.

The Group's **net bank debt** increased by EUR 132.5 million for the year and came in at EUR 1,061.1 million to December 2019.

This debt indicator includes non-current and current bank borrowings, excluding fair value, diminished by current financial assets, cash and cash equivalents.

The following table shows the composition of this indicator as of December 31, 2019 and December 31, 2018:

	Million of euros	
	12.31.19	12.31.18
Non-current bank borrowings	1,164.9	1,149.7
Current bank borrowings	50.2	76.1
Loan arrangement costs/Fair value	17.4	22.8
Current financial assets	(4.7)	(24.9)
Cash and cash equivalents	(166.6)	(295.1)
NET BANK DEBT	**1,061.1**	**928.6**

1.2. Market environment and trends

1.2.1 Economic situation in Spain.

The wake of growth continued in 2019, with positive growth rates for Spain, although there are symptoms of deceleration.

So, while growth of the GDP in Spain was 2.4% in 2018, it rose to 2.0% in 2019, growing for the sixth consecutive year since the end of the recession in 2013.

The improvement in the economic environment has had a positive impact on private consumption. Private consumerism in Spain grew +2.4% in 2014, +3.6% in 2015 and 2016, 0.8% in 2017 (slowing down due to the events in Catalonia) and 0.7% in 2018. According to FUNCAS, retail-sale consumerism was +2.3% for 2019.

In quarterly terms, according to FUNCAS data, retail sales performed positively in 2019: growing 1.4% in Q2 2019, by +2.2% in Q2, +3.4% in Q3 and 2.2% in Q4.

1.2.2 Evolution of the advertising market

Group business is directly exposed to the Spanish advertising market through its Radio and Press divisions.

In 2014 advertising investment in Spain grew for the first time since 2010. This trend continued during 2015 (+6.6%), according to public sources (i2P). This improvement continued in 2016, although growth began to slow down (+4.1%) and this slowing down was confirmed by growth of +2.0% in 2017 and growth of 1.3% in 2018. This slowing down of the market meant that, for the first time since 2013 and according to the i2P report in February 2020, the market dropped -1.5% in 2019 compared to 2018.

The evolution by sector shows that the market has had an uneven performance in 2019: growth has continued in Internet, Radio, Foreign, Cinema and Social Media. In Press (-1.7%), digital growth (+10.8%) could not compensate for the drop in traditional format (-9.9%). In the press market, the weighting for the traditional format makes up 55% of total press advertising. Separately, there has been a noteworthy drop in Television (-5.5%) and magazines and Sunday supplements have continued to fall.

1.2.3 Economic situation in Latin America

According to the IMF projections (October 2019), in general, the countries where the Group is exposed, have shown growth in 2019 (except for Venezuela, Argentina, Ecuador, Puerto Rico and Nicaragua). In spite of the social uprising in October 2019, Chile is expected to grow 1.9% in 2019 (data from Chile Central Bank, November 2019), with growth slowly slowing down compared to 2018, where there was +4% growth. Other countries are continuing to show growth. According to IMF projections (October 2019), Colombia will grow +3.4% (2.6% in 2018), Mexico +0.4% (+2.0% in 2018) and Peru 2.6% (+4.0% in 2018). Growth will continue in general in 2020 and will be faster than in 2019, according to IMF projections (October 2019) except for in Argentina (-1.3%), Venezuela, Nicaragua and Puerto Rico. Brazil will see a higher growth rate (it is expected to grow 2%) while it is worth noting the upswing in Colombia (+3.6%), Chile (+2.3%), Mexico (+1.3%) and Peru (+3.6%).

Group results in Latin America have been negatively impacted by the weak exchange rate, especially in Argentina, Brazil and Colombia. The negative impact led the group to report EUR 24.1 million revenue and EUR 9.8 million EBITDA in 2019. As a result, the Group's recurrent revenue in Latin America grew by +0.2%, in comparison with the rise of +4.3% that would have been obtained with a fixed exchange rate. The EBITDA for Latin America grew by +1.0% (adjusting the impact of IFRS 16 in 2018) compared to the +7.2% that it would have obtained with a fixed exchange rate.

The effect of the volatility in exchange rates for the main Latin American currencies, was less significant during the first half of the year (negative effect due to currency devaluation of -EUR 6.7 million in revenue and -1.4 million in EBITDA), while throughout the second half of the year, the effect was even more negative: effect of -EUR 17.5 million in revenue and -EUR 8.4 million in EBITDA.

In 2019 the currencies of Argentina, Brazil and Colombia made up 119% of the impact on the EBITDA.

2. MAIN RISKS ASSOCIATED TO THE BUSINESS

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

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

In the Corporate Governance Report (*see Section E*) are detailed specific actions and bodies used to identify, valuate and manage these risks.

1. Risks relating to the financial and equity situation

Financing risk-

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

As of December 31, 2019, the Group's net bank debt level stood at EUR 1,061.1 million and represents a series of risks:

- It is more exposed to the economic cycle and market performance, especially in those businesses with a higher exposure to economic cycles.
- It requires part of the cash flow from operations to be put aside to cover payment obligations, interest payments and amortisation of the debt principal, hindering the capacity to dedicate these cash flows to cover working capital, investments and finance for future transactions.
- It limits the ability to adapt to changes in the markets.
- It places the Group at a disadvantage with regard to less indebted competitors.

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

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

Media Capital Sale Transaction-

In September 2019, the Prisa Board of Directors agreed to sell to Cofina its subsidiary Vertix, the company that owns Media Capital *(see notes 1a and 10b of Prisa's consolidated report*). The execution of the transaction is subject to obtaining the required authorization from the Portuguese regulatory authority (Entidade Reguladora para a Comunicaçao Social – ERC) (which has already communicated its preliminary decision of not opposition to the transaction, being its final decision still pending to be adopted), and at the expense of Cofina completing the process of financing, planned for the first quarter of 2020.
This agreement meant an accounting loss was registered at the parent company for EUR 132.5 million (a EUR 131.6 million loss in the consolidated financial statements).

Funds from Media Capital sale will be used to cancel debt, so in case the sale of Media Capital does not occur in the end, the Group's financial situation will be negatively impacted.

Equity situation of the Group's Parent Company-

As of December 31, 2019, the equity of the parent Company (including participating loans outstanding at year-end) stood at EUR 407,861 thousand, below two thirds of total share capital, although representing over half of share capital. In this sense, the company has an imbalanced equity situation in terms of the obligation to reduce share capital in the period of one year, according to Article 327 of Spain’s Corporate Enterprises Act. This situation was due mainly to the losses recognised by the Company in 2019 because of (i) the agreement for the sale of Vertix described above and (ii) the impairment of its investment in Prisa Participadas, S.L.U. resulting from the unfavourable court ruling against Audiovisual Sport, S.L. (subsidiary of Prisa Participadas) due to the conflict with Mediapro described in note 15. In this regard, the Company's Board of Directors has agreed to propose to the shareholders at the Annual General Meeting a reduction in share capital credited to reserves, which will enable the equity balance of the Parent to be restored within the set legal period.

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

Credit and liquidity risk-

The adverse macroeconomic situation with major declines in advertising and circulation has had a negative impact on the Group's ability to generate cash flow over recent years, mainly in Spain. Businesses which rely heavily on advertising have a high percentage of fixed costs, and any decline in advertising revenues has major implications for margins and the cash position, making it difficult to implement additional measures to improve Group operating efficiency. As of December 31, 2019, advertising revenue represented 32.1% of Group operating income.

Likewise, the nature of the Education business means that there are concentrated periods of collections around certain dates, mainly during the final months of each year. The aforementioned creates seasonality in Santillana's cash flow. While the seasonality of the Group's cash flow is not significant, so far as the flows coming from the various business units largely compensate each other and thereby mitigating the seasonality effect, the aforementioned could lead to certain cash tensions during the periods in which the collections are structurally lower.

In this respect, on June 29, 2018, within the framework of debt refinancing, the Company established a Super Senior credit facility until June 2023, in the amount of EUR 50 million, to finance the Company's operating needs, that was increased by EUR 30 million in April 2019, as a result of the acquisition of 25% of Santillana. As of December 31, 2019, no drawdowns of the aforementioned credit facility have been made.

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

Non-controlling interests in cash generating units-

The Group has significant non-controlling interests in cash generating units, mainly in radio businesses.

Exposure to interest rate hedges-

The Group is exposed to changes in interest rates as around 98.63% of its bank borrowings bear interest at floating rates. The Group currently has no derivative contracts for interest rates.

Exposure to exchange rate hedges-

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

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

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

Tax risks-

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

As of December 31, 2019, the consolidated Group had active tax credits amounting to EUR 116.2 million; of these, EUR 66 million corresponded to the tax consolidation group whose parent company is Prisa.

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

Intangible assets and goodwill-

As of December 31, 2019, the company had intangible assets recorded on its consolidated balance sheet amounting to EUR 125.0 million and goodwill of EUR 151.1 million. The analysis of the value of these assets and goodwill used estimates made to date, based on the best available information. It is possible that events which could occur in the future make it necessary to modify these estimates down. In this event, the impact of these new estimates in valuing intangible assets and goodwill will be registered on the future consolidated income statement.

2. Strategic and operational risks

Macroeconomic risks-

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

During 2019, 53.6% of Group operating income came from international markets. Nevertheless, Spain continues to be the Group's main geographical market (representing 46.4% of Group operating income).

Macroeconomic declines could negatively affect the Group's position in terms of earnings and cash generation, as well as the value of Group assets.

Decline in the advertising market-

An important part of Prisa's operating income comes from the advertising market, mainly in its press and radio businesses (excluding Media Capital). As of December 31, 2019, advertising revenue represented 32.1% of Group operating income. Spending by advertisers tends to be cyclical and reflects the general economic situation and outlook.

If macroeconomic figures worsen in the countries where the Group operates (especially GDP), the spending outlook for advertisers could be negatively impacted. Given the large fixed expenses component linked to businesses which rely heavily on advertising, any decline in advertising revenues directly affects operating profits and, therefore, the Group's ability to generate cash.

Changes occurring to the tradition media business-

Press revenues from the sale of copies and subscriptions continue to be negatively impacted by the growth of alternative distribution media, including free news websites and other content.

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

Competition risk-

Prisa's businesses operate in highly competitive sectors.

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

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

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

Country risk-

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

Regulatory risk-

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

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

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

Risk of concentration of sales in the public sector-

The main customers in the Group's Education business are the governments and public bodies in the various jurisdictions where it operates.

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

Digital transformation process-

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

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

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

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

Technology risk-

The businesses in which the Group operates depend, to a greater or lesser extent, on information technology ("IT") systems. For example, the Group offers software or technology solutions through web-based platforms.

IT systems are vulnerable to a set of problems, such as malfunctioning hardware and software, computer viruses, piracy and the physical damage sustained by IT centers. IT systems require regular updates, and it is possible that the Group cannot implement the necessary updates at the right time or that updates might not work as planned. Moreover, cyber-attacks on Prisa's systems and platforms could result in the loss of data or compromise customer data or other sensitive information. Major faults in the systems or attacks on their security could have an adverse effect on Group operating profits and financial conditions.

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

Litigation and third-party claims risk-

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

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

Data protection-

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

Intellectual property-

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

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

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

3. OUTLOOK: FACTORS AND TRENDS THAT AFFECT TO THE EVOLUTION OF BUSINESS UNITS

I. MACROECONOMIC ENVIRONMENT

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

During 2020, according to FUNCAS (data from November 2019), growth is still expected for Spain.

In turn, Prisa's activities and investments in Latin America are exposed to the performance of the different macroeconomic inputs in every country, including changes in consumer demand due to a higher or lower growth rate in some countries or the performance of their economies.

According to IMF data (October 2019), growth will be ongoing in all countries where Prisa operates in 2020, except in Argentina (it will continue to suffer the effects of the cutbacks, although it will be less of a drop than in 2019), Venezuela, Puerto Rico and Nicaragua. According to this source, Brazil will grow at a rate of 2%, while it is worth noting the upswing in Colombia, Mexico and Peru. According to Chile Central Bank (November 2019), Chile will grow at a faster rate than in 2019 (2.3%).

Group business performance will be affected by economic growth. Group earnings will also be affected by the performance of exchange rates. Depreciation is expected to continue for most Latin American currencies for 2020 compared to 2019.

II. ADVERTISING MARKET

Another factor which affects future developments is the advertising cycle. Nevertheless, Prisa Group's exposure to the performance of the advertising market is limited due to its diversified revenue mix (advertising revenues accounted for 32.1% of the total in 2019). Businesses that rely heavily on advertising have a high percentage of fixed costs, and consequently any increase in advertising revenue has major implications for earnings, improving the Group's margins and its cash position.

Digital advertising continues to see growth. Effectively, Group´s advertising rose by 6.3% in 2019, with press increasing its share of total advertising revenue to 57% (from 53% in 2018). According to data from i2P (February 2020), growth is predicted to continue in 2020.

The advertising market in Spain dropped -1.5% in 2019, according to the i2P report (February 2020). The same source estimates a drop in the Spanish market of -2.0% for 2020.

In Spain, the Group's advertising revenue, excluding the impact of the cyberattack on Radio, grew by +1% in 2019, thanks to the performance of advertising in Radio (with growth, without the impact of the cyberattack, in local, while on-air is online) and to digital advertising in Press. These effects offset the fall that continues to occur in paper advertising. Group´s advertising revenue in Spain is expected to perform in line with the market evolution.

In Latin America, according to market research (in Colombia, Asomedios+Andiarios/IBOPE, October 2019; in Chile, internal projections), the Radio advertising sector in Colombia dropped -3.3% in 2019, while the Radio market in Chile dropped -10.0% (affected by the outbreak of the social uprising in October). For 2020, this same market research projects growth of 0.5% in Colombia and a flat market in Chile, with no growth. Prisa Radio in Latin America dropped -1.3% at constant-currency rates in 2019, affected by the drop in the advertising market in Colombia and by the impact of the outbreak of the social uprising in Chile. For 2020, Prisa Radio is expected to perform in line with market, in Chile and Colombia.

III. EDUCATION SECTOR

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 2019 contributed 57.3% of the Group's total revenue and 72.3% of its EBITDA (adjusting the impact of the Mediapro ruling). In Latin America, Santillana revenue has grown, in constant currency, +5.6% for the same period (+1.7% in euros), essentially due to the growth of learning systems, as regards both students and revenue (highlighting Brazil and Colombia) and greater institutional sales in Brazil (a mid-cycle year for the PNLD and higher sales to Prefeituras). This growth compensated Argentina's Sale & Lease Back operations and the effect of the sale of the business in the USA in 2018. 2020 performance will mainly depend on signing up students for Systems, institutional sales, fluctuation in the exchange rate (currencies are forecast to continue to depreciate) and growth in most countries.

IV. DIGITAL ENVIRONMENT

Part of Group growth for 2020 will rely on digital expansion. Digital audience numbers rose sharply (168 million unique browsers by mid-2019, which represented 19% growth compared to 2018). In 2020, the Company will continue efforts to boost digital growth in all its business lines. Specifically, in Press the focus will remain on fully leveraging the leadership positions of the El País and As newspapers, not only in Spain, but also in the American market.

In addition, the Group will remain active in strengthening its balance sheet structure, reducing debt and focussing on cash generation during FY 2020.