



REPORT ISSUED BY THE BOARD OF DIRECTORS OF PROMOTORA DE INFORMACIONES S.A. ON THE PROPOSED RESOLUTION TO APPROVE THE DISPOSAL OF THE PRE K-12 AND K-12 BUSINESS OF GRUPO SANTILLANA EDUCACIÓN GLOBAL, S.L.U. IN SPAIN, INCLUDED IN ITEM ONE OF THE AGENDA OF THE EXTRAORDINARY GENERAL SHAREHOLDERS' MEETING CALLED FOR DECEMBER 18 AND 19, 2020, ON FIRST AND SECOND CALL, RESPECTIVELY

1. Purpose of the report

The Board of Directors of Promotora de Informaciones, S.A. ("**PRISA**" or the "**Company**") issues this report regarding the sale of the pre K-12 and K-12 business by Grupo Santillana Educación Global, S.L.U. in Spain ("**Santillana**") to Sanoma Pro Oy (the "**Transaction**"), in order to justify the proposal that, to the effects of article 160.f) of the consolidated text of the Spanish Companies Act approved by Royal Legislative Decree 1/2010, of July 2 (*Real Decreto Legislativo 1/2010, de 2 de Julio, por el que se aprueba el texto refundido de la Ley de Sociedades de Capital*) (the "**Spanish Companies Act**"), will be submitted to the approval of the Extraordinary General Shareholders' Meeting of PRISA, which is expected to be held on December 18, 2020, on first call, or on December 19, 2020, on second call, under item One of the agenda.

This report will be made available to the Company's shareholders as from the date of publication of the call notice of the aforementioned Extraordinary General Shareholders' Meeting.

2. Essential nature of the asset and power of the General Meeting

In accordance with article 160.f) of the Spanish Companies Act, the review and approval, among others, of the transfer of essential assets is one of the legal powers of the General Meeting of the Company.

In this regard, the Board of Directors of the Company considers that the pre K-12 and K-12 business of Santillana in Spain is an essential asset for PRISA.

In light of the above, and the required approval of the Transaction by the General Shareholders' Meeting, the Board of Directors approves this report which shall be made available to the Company's shareholders as from the date of publication of the corresponding call notice.

3. Precedents and main terms of the sale and purchase agreement

On October 19, 2020, PRISA, through its subsidiary Santillana —as seller— entered into an agreement with the Finish company Sanoma Pro Oy, a subsidiary of the Finish media and education group headed by Sanoma Corporation, —as purchaser— for the sale of the business of Santillana addressed at pre K12 and K-12 segments in Spain (the "**Agreement**").

The price to be received as consideration amounts to 465 million euros and will be fully paid in cash on the closing date of the Transaction, once the net debt of the business subject of the Transaction as of June 30, 2020 has been discounted, estimated at 53 million euros.

The Transaction is subject to different conditions precedent which are standard in this kind of transactions. Such conditions precedent mainly consist of (i) obtaining the required authorization

from the Spanish competition authorities (or confirmation that such authorization is not required); (ii) the mandatory approval of the Transaction at PRISA's General Shareholders' Meeting pursuant to article 160.f) of the Spanish Companies Act, which is the subject of this report; and (iii) obtaining the necessary consents from the Company's creditors.

In relation to this last condition, it is hereby stated that 100% of the creditor entities of the syndicated facility agreement currently totaling 1,148 million euros, dated December 11, 2013, have adhered have granted such consent by means of the subscription or subsequent adherence to the lock-up agreement (the "**Lock-up Agreement**") entered into on October 19, 2020, containing the Term Sheet that sets out, among other aspects, the essential terms on which the group's syndicated financial debt will be restructured. As of the date of this report, we are only awaiting for the creditor entities under the debt-senior facility agreement entered into June 29, 2018, to sign the equivalent documentation in order to fulfil such condition. In this regard, such execution is expected to take place soon.

The Agreement also includes a liability regime, which is standard in this type of transactions, based on (i) representations and warranties regarding, among others, Santillana's and PRISAS's legal capacity as seller and as guarantor of the seller, respectively, the ownership of the shares to be sold, the business status (annual accounts, corporate, labor and tax aspects, public procurement, industrial and intellectual property, procedures, legal compliance and ongoing proceedings) and the truthfulness of the information provided to the purchaser; (ii) limits to the seller's liability, including a liability cap, threshold and *de minimis*, as well as a maximum liability period; and (ii) certain indemnities in favor of the purchaser.

Likewise, and as it is also standard in this type of transactions, from the date of execution of the Agreement until closing, the seller must procure that the companies subject of the Transaction operate within the ordinary course of business.

Simultaneously with closing, it is expected that Santillana and other subsidiaries of the Company entered into a license agreement with Sanoma and various companies subject of the Transaction regarding (i) Santillana and Loqueleo trademarks, for an indefinite period of time, in the entire European Union (excluding Portugal), Norway and United Kingdom; and (ii) Richmond trademark, for 15 years, in Spain.

If the Transaction is approved by the General Shareholders' Meeting and if the competition condition is fulfilled, the Transaction is expected to be closed as soon as possible.

4. PRISA's syndicated financial debt restructuring

Santillana's business in Spain disposal must be brought into the context of the Lock-up Agreement entered into with a significant number of PRISA's financial creditors also on October 19, 2020, to which 100% of the remaining financial creditors of the debt arising from the syndicated facility agreement dated 11 December 2013 have adhered. As referred to in the previous section, the Lock-up Agreement contains a term sheet that sets out, among other aspects, the essential terms on which the PRISA group's syndicated financial debt will be restructured (the "**Restructuring**").

The consequence of this unanimity is that the refinancing arrangement pursuant to the Lock-Up Agreement, once the equivalent documentation is signed by the debt-senior creditors, will not require implementation by means of the English legal procedure named "Scheme of arrangement" in order to take full effects, which will simplify its execution.

The Restructuring affects the debt arising from the syndicated facility agreement currently totaling 1,148 million euros, dated December 11, 2013 (as amended on various occasions since then), that would be totally restructured in the coming months.

The basic terms of the Restructuring consist in: (i) partial repayment of the debt to be restructured in an amount of 400 million euros; (ii) a significant time extension for the maturity of the remaining financial debt, until 2025; and (iii) adaptation of the economic conditions of the debt taking into consideration the group's current cash generation potential.

On top of these essential terms, the agreed Restructuring allows PRISA to incur further senior-ranking debt to strengthen its liquidity position in the future, and to complete certain business reorganization actions. Finally, the essential terms include a relaxation of certain financial covenants and PRISA's commitment to achieve a leverage cap in December 2023.

The agreed Restructuring will therefore make the Group's financial indebtedness more flexible and give it a financial structure that allows the Group to fulfil its financial commitments, ensuring the Group's stability in the short and medium term.

The execution of the Restructuring is conditional on completing the Transaction.

5. Effects of the Transaction for the Company and rationale

The Agreement entered into with Sanoma Pro Oy provides for the sale of Santillana's Spanish business addressed at pre K-12 and K-12 for an enterprise value of 465 million euros. The Board of Directors deems the Agreement very favorable in its terms for the reasons mentioned below, and according to the advice provided by the advisors to the Transaction. The price would be fully paid in cash, once the net debt as of June 30, 2020 has been discounted, estimated at 53 million euros.

From an strategic perspective, following the Transaction, the education business will focus on the Latin-American market, where the Company notices a significant growth and value creation potential for its shareholders.

From a financial perspective, the Transaction enables to take a further step within the process to reduce corporate debt—as mentioned in section 4 above—. This milestone of significant debt reduction is added to all those steps taken by the Company since December 2013, when the Company started this process through the agreement reached with its creditors to restructure the existing debt, the last stage of which was the execution of the Lock-up Agreement on October 19, 2020 and the accession of all creditors of the syndicated financial agreement's debt. Once the Restructuring is executed and the partial repayment of debt in an amount of 400 million euros is carried out, PRISA group's net debt shall be reduced by more than 30%.

In this regard, since December 2013, and once the Restructuring is finalized, PRISA group will have amortized 2,641,385,000 euros (73.7% of the then existing gross corporate debt) by means of asset sales, share capital increases, notes issues and debt buybacks with a discount, all of them having been notified to the market. Therefore, this Transaction, together with the Restructuring, would allow the Company to maintain a more stable and sustainable capital structure.

From an accounting perspective, and without bearing in mind the potential adjustments to the price referred to in section 3 above deriving from the final determination of the business net debt as of June 30, 2020, the Transaction would entail an accounting gain of approximately 385 million euros in PRISA's consolidated accounts.

Finally, the Board of Directors considers that, within the current—global and, in particular, Spanish— economic context the Transaction and its terms and conditions (including the price) are

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beneficial to PRISA's corporate interests. In the opinion of the Board of Directors, this Transaction, together with other measures such as the Restructuring, will contribute to improve the Company's financial situation and to move forward in the implementation of PRISA group's medium and long term strategy.

Taking into consideration the aforementioned, the Board of Directors recommends the approval of the Transaction by the Company's Extraordinary General Shareholders' Meeting.

6. Proposed resolution submitted to approval by the Extraordinary General Shareholders' Meeting

Based on the foregoing, the following proposed resolution is submitted to the approval of the Extraordinary General Shareholders' Meeting:

“Disposal of the business of Grupo Santillana Educación Global, S.L.U. in Spain, for the purposes of section 160.f) of the consolidated text of the Spanish Companies Act.

In accordance with the inside information notice published on October 19, 2020, with register number 501, by Promotora de Informaciones, S.A. (“PRISA”), PRISA's subsidiary Grupo Santillana Educación Global, S.L.U. (“Santillana”) —as seller— entered into an agreement on the aforementioned date with Sanoma Pro Oy, a Sanoma Corporation subsidiary, —as purchaser— for the sale of the business of Santillana addressed at pre K-12 and K-12 segments in Spain (the “Transaction”).

The main terms of the Transaction, its precedents and context, as well as its economic and strategic rationale, are envisaged in the report issued by the Board of Directors, which has been made available to the shareholders as from the date of publication of the call notice for the General Meeting.

As referred to in the aforementioned inside information notice, the execution of the Transaction is subject to the fulfilment of certain conditions precedent, among which is the approval thereof by the General Shareholders' Meeting of PRISA.

Accordingly, it is hereby resolved to approve and authorize the Transaction for all purposes and, specially, for the purposes of article 160.f) of the consolidated text of the Spanish Companies Act approved by Royal Legislative Decree 1/2010, of July 2 (Real Decreto Legislativo 1/2010, de 2 de Julio, por el que se aprueba el texto refundido de la Ley de Sociedades de Capital).

Likewise, it is hereby resolved to delegate to the Board of Directors, with express substitution authority to any of the Board Members deemed appropriate and/or to the Secretary of the Board of Directors, all those authorities required or convenient for the complete execution of the Transaction, including the execution of any public or private document, as well as to take any actions required or convenient for its proper execution. ”

In Madrid, on November 16, 2020