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

Financial Statements and Directors' Report for 2014, together with Independent Auditor's Report

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

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

# INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

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

## Report on the Financial Statements

We have audited the accompanying financial statements of Promotora de Informaciones, S.A., which comprise the balance sheet as at 31 December 2014, and the income statement, statement of changes in equity, statement of cash flows and notes to the financial statements for the year then ended.

### *Directors' Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

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

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

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

Deloitte, S.L. Inscrita en el Registro Mercantil de Madrid, tomo 13.650, sección 8ª, folio 188, hoja M-54414, inscripción 96ª. C.I.F.: B-79104469.
Domicilio social: Plaza Pablo Ruiz Picasso, 1, Torre Picasso, 28020, Madrid.

*Opinion*

In our opinion, the accompanying financial statements present fairly, in all material respects, the equity and financial position of Promotora de Informaciones, S.A. as at 31 December 2014, and its results and its cash flows for the year then ended in accordance with the regulatory financial reporting framework applicable to the Company and, in particular, with the accounting principles and rules contained therein.

*Emphasis of Matter*

We draw attention to Note 1 to the accompanying financial statements, in which the directors state that the mechanism provided for in the financing agreement of Promotora de Informaciones, S.A. for the automatic conversion of a portion of the latter's debt into participating loans for an amount sufficient to restore its equity position has once again been implemented. Under the Spanish Limited Liability Companies Law, the company was in a situation of mandatory dissolution as at 31 December 2014 as a result of the losses incurred due to the agreement entered into with Telefónica de Contenidos, S.A.U. for the sale of 56% of DTS, Distribuidora de Televisión Digital, S.A., a transaction subject to the mandatory authorisation of, and terms and conditions established by, the competition authorities (see Note 7). Our opinion is not modified in respect of this matter.

**Report on Other Legal and Regulatory Requirements**

The accompanying directors' report for 2014 contains the explanations which the directors consider appropriate about the Company's situation, the evolution of its business and other matters, but is not an integral part of the financial statements. We have checked that the accounting information in the directors' report is consistent with that contained in the financial statements for 2014. Our work as auditors was confined to checking the directors' report with the aforementioned scope, and did not include a review of any information other than that drawn from the accounting records of Promotora de Informaciones, S.A.

DELOITTE, S.L.
Registered in ROAC under no. S0692

Fernando García Beato
March 2, 2015

# Promotora de Informaciones, S.A. (PRISA)

Individual Financial Statements and Directors' Report for 2014

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

Individual Financial Statements for 2014

**PROMOTORA DE INFORMACIONES, S.A. (PRISA)**
**BALANCE SHEETS AT 31 DECEMBER 2014 AND 31 DECEMBER 2013**
**(in thousands of euros)**

| ASSETS | 12/31/14 | 12/31/13 |
|---|---|---|
| **A) NON-CURRENT ASSETS** | **2,337,502** | **4,375,601** |
| I. INTANGIBLE ASSETS (Note 5) | 1,798 | 3,057 |
| 1. Computer software | 1,798 | 3,044 |
| 2. Advances and intangible assets in progress | - | 13 |
| II. PROPERTY, PLANT AND EQUIPMENT (Note 6) | 839 | 884 |
| 1. Other fixtures and furniture | 185 | 225 |
| 2. Other items of property, plant and equipment | 654 | 659 |
| III. NON-CURRENT INVESTMENTS IN GROUP COMPANIES AND ASSOCIATES (Note 7.1) | 1,836,250 | 3,961,503 |
| 1. Equity instruments | 1,510,558 | 3,656,813 |
| 2. Loans to companies | 325,692 | 304,690 |
| IV. NON-CURRENT FINANCIAL ASSETS (Note 7.1) | 155,557 | 13 |
| 1. Equity instruments | 155,544 | - |
| 2. Other financial assets | 13 | 13 |
| V. DEFERRED TAX ASSETS (Note 8) | 343,058 | 410,144 |
| **B) CURRENT ASSETS** | **1,096,233** | **558,391** |
| I. NON-CURRENT ASSETS HELD FOR SALE (Note 7.2) | 719,086 | - |
| II. TRADE AND OTHER RECEIVABLES | 40,873 | 38,428 |
| 1. Trade receivables for services | 1,095 | 5,876 |
| 2. Receivable from Group companies and associates | 37,575 | 23,558 |
| 3. Employee receivables | 42 | 89 |
| 4. Tax receivables (Note 8) | 531 | 8,135 |
| 5. Other receivables | 1,630 | 770 |
| III. CURRENT INVESTMENTS IN GROUP COMPANIES AND ASSOCIATES (Note 7.1) | 152,075 | 320,920 |
| 1. Loans to companies | 152,074 | 320,919 |
| 2. Other financial assets | 1 | 1 |
| IV. CURRENT FINANCIAL INVESTMENTS (Note 7.1) | 111,326 | 120,000 |
| 1. Other financial assets | 111,326 | 120,000 |
| V. CURRENT PREPAYMENTS AND ACCRUED INCOME | 3,318 | 3,822 |
| VI. CASH AND CASH EQUIVALENTS | 69,555 | 75,221 |
| 1. Cash | 69,555 | 75,221 |
| **TOTAL ASSETS** | **3,433,735** | **4,933,992** |

| EQUITY AND LIABILITIES | 12/31/14 | 12/31/13 |
|---|---|---|
| **A) EQUITY (Note 7.5)** | **(540,870)** | **209,864** |
| **A-1) Shareholders' equity** | **(563,305)** | **209,864** |
| I. SHARE CAPITAL | 215,808 | 105,266 |
| II. SHARE PREMIUM | 1,328,671 | 781,815 |
| III. OTHER EQUITY INSTRUMENTS | 46,408 | 527,695 |
| IV. RESERVES | (1,238,380) | (607,819) |
| 1. Legal and bylaw reserves | 17,220 | 17,220 |
| 2. Other reserves | 26,769 | 60,754 |
| 3. Loss from previous years | (1,282,369) | (685,793) |
| V. TREASURY SHARES | (3,116) | (518) |
| VI. PROFIT (LOSS) FOR THE YEAR | (912,696) | (596,576) |
| **A-2) Value adjustments** | **22,435** | **-** |
| I. AVAILABLE-FOR-SALE FINANCIAL ASSETS (Note 7.1) | 22,435 | - |
| **B) NON-CURRENT LIABILITIES** | **3,026,169** | **3,515,629** |
| I. LONG-TERM PROVISIONS (Note 10) | 385,077 | 351,460 |
| II. NON-CURRENT PAYABLES (Note 7.3) | 2,490,304 | 3,105,271 |
| 1. Bank borrowings | 2,490,301 | 3,103,442 |
| 2. Derivatives | - | 1,829 |
| 3. Other financial liabilities | 3 | - |
| III. NON-CURRENT PAYABLES TO GROUP COMPANIES AND ASSOCIATES (Note 7.3) | 118,574 | 58,898 |
| IV. DEFERRED TAX LIABILITIES | 32,214 | - |
| **C) CURRENT LIABILITIES** | **948,436** | **1,208,499** |
| I. CURRENT PAYABLES (Note 7.3) | 12,011 | 84,855 |
| 1. Bank borrowings | 3,894 | 31,523 |
| 2. Derivatives | 721 | 41,575 |
| 3. Other financial liabilities | 7,396 | 11,757 |
| II. CURRENT PAYABLES TO GROUP COMPANIES AND ASSOCIATES (Note 7.3) | 910,056 | 1,088,961 |
| III. TRADE AND OTHER PAYABLES | 26,369 | 34,683 |
| 1. Payable to suppliers | 56 | 99 |
| 2. Payable to suppliers - Group companies and associates | 371 | 283 |
| 3. Sundry accounts payable | 21,306 | 16,218 |
| 4. Remuneration payable | 4,031 | 5,566 |
| 5. Tax payables (Note 8) | 605 | 12,517 |
| 6. Current accruals and deferred income | - | - |
| **TOTAL EQUITY AND LIABILITIES** | **3,433,735** | **4,933,992** |

*The accompanying Notes 1 to 20 and Appendices I and II are an integral part of the balance sheet at 31 December 2014*

*Translation of financial statements originally issued in Spanish and prepared in accordance with generally accepted accounting principles in Spain (see Notes 1 and 20). In the event of a discrepancy, the Spanish-language version prevails.*

# PROMOTORA DE INFORMACIONES, S.A. (PRISA)
## INCOME STATEMENTS FOR 2014 AND 2013
## (in thousands of euros)

| | 2014 | 2013 |
|---|---|---|
| **A) CONTINUING OPERATIONS** | | |
| 1. Revenue | | |
| a) Services *(Note 14)* | 15,376 | 27,768 |
| b) Income from equity investments *(Note 14)* | 18,231 | 76,417 |
| c) Profit on disposal of equity instruments | - | 2,596 |
| 2. Other operating income | 410 | 23 |
| 3. Staff costs | | |
| a) Wages, salaries and similar expenses | (9,973) | (14,679) |
| b) Employee benefit costs *(Note 9)* | (1,537) | (1,500) |
| 4. Other operating expenses | | |
| a) Outside services | (29,365) | (17,048) |
| b) Taxes other than income tax | (82) | (106) |
| c) Impairment and other losses | (4) | (1,290) |
| 5. Depreciation and amortization charge *(Notes 5 and 6)* | (1,319) | (6,188) |
| **PROFIT/LOSS FROM OPERATIONS** | **(8,263)** | **65,994** |
| 6. Finance income | | |
| a) From loans to Group companies and associates (*Note 14* ) | 9,424 | 9,500 |
| b) Other finance income | 200,646 | 372 |
| c) Profits on disposal of holdings | 17,161 | - |
| 7. Finance costs and similar expenses: | | |
| a) On debts to Group companies *(Note 14)* | (7,044) | (11,034) |
| b) On debts to third parties and similar expenses | (186,454) | (138,737) |
| c) Losses on disposal of holdings *(Note 7.1)* | - | (6,638) |
| 8. Change in fair value of financial instruments | 1,131 | 2,234 |
| 9. Exchange differences | (9) | 238 |
| 10. Impairment of financial instruments | | |
| a) Impairment and other losses (*Notes 7.1 and 10* ) | (62,599) | (28,326) |
| **FINANCIAL LOSS** | **(27,744)** | **(172,391)** |
| | | |
| **LOSS BEFORE TAX** | **(36,007)** | **(106,397)** |
| 11. Income tax *(Note 8)* | (82,784) | 24,192 |
| **PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS** | **(118,791)** | **(82,205)** |
| **B) DISCONTINUED OPERATIONS (*Notes 7.1 and 7.2*)** | (793,905) | (514,371) |
| **PROFIT/(LOSS) FOR THE YEAR** | **(912,696)** | **(596,576)** |

*The accompanying Notes 1 to 20 and Appendices I and II are an integral part of the income statement for 2014*

*Translation of financial statements originally issued in Spanish and prepared in accordance with generally accepted accounting principles in Spain (see Notes 1 and 20). In the event of a discrepancy, the Spanish-language version prevails.*

## PROMOTORA DE INFORMACIONES, S.A.

### STATEMENT OF COMPREHENSIVE INCOMES AND EXPENSES FOR 2014 AND 2013

**(in thousands of euros)**

| | 12/31/14 | 12/31/13 |
|---|---|---|
| | | |
| **A) Profit/(Loss) per income statement** | **(912,696)** | **(596,576)** |
| **Income and expense recognized directly in equity** | **22,435** | **-** |
| Arising from revaluation of financial instruments | 31,160 | - |
| Tax effect | (8,725) | - |
| **B) Total income and expense recognized directly in equity** | **(890,261)** | **(596,576)** |
| Transfers to profit or loss | - | - |
| **C) Total transfers to profit or loss** | **-** | **-** |
| | | |
| **TOTAL RECOGNIZED INCOME AND EXPENSE** | **(890,261)** | **(596,576)** |

*The accompanying Notes 1 to 20 and Appendix I and II are an integral part of the statement of comprehensive incomes and expenses for 2014*

**PROMOTORA DE INFORMACIONES, S.A.**
**TOTAL STATEMENT OF CHANGES IN EQUITY FOR 2014 AND 2013**
**(in thousands of euros)**

| *(in thousands of euros)* | Share capital | Share premium | Other Equity Instruments | Legal reserve | Statutory reserves | Revaluation reserves | Reserves for treasury shares | Reserves for retired capital | Reserves for merger | Voluntary reserves | Loss from previous years | Reserves for variation in financial assets | Reserves for first-time application of the new Spanish national chart of accounts | Reserves | Treasury shares | Profit (Loss) for the year | Equity |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Balance at December,31 2012** | **99,132** | **803,973** | **400,135** | **5,335** | **11,885** | **13,939** | **727** | **1,495** | **-** | **123,042** | **-** | **-** | **6,873** | **163,296** | **(727)** | **(685,793)** | **780,016** |
| **I. Total recognized income and expense** | | | | | | | | | | | | | | | | (596,576) | (596,576) |
| **II. Transactions with shareholders or owners** | | | | | | | | | | | | | | | | | |
| 1. Capital Increases | | | | | | | | | | | | | | | | | |
| - *Share Capital* | 6,134 | | | | | | | | | | | | | | | | 6,134 |
| - *Share Premium* | | 54,353 | | | | | | | | | | | | | | | 54,353 |
| 2. Conversion of financial liabiities into equity | | (76,511) | | | | | | | | | | | | | | | (76,511) |
| 3. Issuance of equity instruments | | | 127,566 | | | | | | | | | | | | | | 127,566 |
| 4. Distribution of 2012 profit | | | | | | | | | | | | | | | | | |
| - *Loss from previous years* | | | | | | | | | | | (685,793) | | | (685,793) | | 685,793 | - |
| 5. Treasury share transactions | | | | | | | | | | | | | | | | | |
| - *Delivery of treasury shares* | | | | | | | (1,619) | | | 1,619 | | | | - | 1,619 | | 1,619 |
| - *Purchase of treasury shares* | | | | | | | 121 | | | (121) | | | | - | (121) | | (121) |
| - *Sales of treasury shares* | | | | | | | - | | | | | | | - | - | | - |
| - *Provision for treasury shares* | | | | | | | 1,289 | | | | | | | 1,289 | (1,289) | | - |
| 6. Merger Prisa Televisión, S.A.U *(Note 19)* | | | | | | | | | (85,639) | | | | | (85,639) | | | (85,639) |
| **III. Other changes in equity** | | | | | | | | | | | | | | | | | |
| - *Other* | | | (6) | | | | | | | (971) | | | | (971) | | | (977) |
| **Balance at December,31 2013** | **105,266** | **781,815** | **527,695** | **5,335** | **11,885** | **13,939** | **518** | **1,495** | **(85,639)** | **123,569** | **(685,793)** | **-** | **6,873** | **(607,818)** | **(518)** | **(596,576)** | **209,864** |
| **I. Total recognized income and expense** | | | | | | | | | | | | | | | | | |
| *1. Profit (Loss) for de year* | | | | | | | | | | | | | | | | (912,696) | (912,696) |
| *2. Valuation of finacial instruments* | | | | | | | | | | | | 22,435 | | 22,435 | | | 22,435 |
| **II. Transactions with shareholders or owners** | | | | | | | | | | | | | | | | | |
| 1. Capital Increases | | | | | | | | | | | | | | | | | |
| - *Share Capital* | 110,542 | | | | | | | | | | | | | | | | 110,542 |
| - *Share Premium* | | 505,281 | | | | | | | | | | | | | | | 505,281 |
| 2. Conversion of financial liabilities into equity | | 41,575 | | | | | | | | | | | | | | | 41,575 |
| 3. Issuance of equity instruments | | | (81,158) | | | | | | | | | | | | | | (81,158) |
| 4. Conversion of equity instruments into shareholder´s equity | | | (400,281) | | | | | | | (33,710) | | | | (33,710) | | | (433,991) |
| 5. Distribution of 2013 profit | | | | | | | | | | | | | | | | | |
| - *Loss from previous years* | | | | | | | | | | | (596,576) | | | (596,576) | | 596,576 | - |
| 6. Treasury share transactions | | | | | | | | | | | | | | | | | |
| - *Delivery of treasury shares* | | | | | | | (2,500) | | | 2,500 | | | | - | 2,500 | | 2,500 |
| - *Purchase of treasury shares* | | | | | | | 4,935 | | | (4,935) | | | | - | (4,935) | | (4,935) |
| - *Sales of treasury shares* | | | | | | | | | | | | | | | | | |
| - *Provision for treasury shares* | | | | | | | 163 | | | | | | | 163 | (163) | | - |
| **III. Other changes in equity** | | | | | | | | | | | | | | | | | |
| - *Other* | | | 153 | | | | | | | (440) | | | | (440) | | | (287) |
| **Balance at December,31 2014** | **215,808** | **1,328,671** | **46,409** | **5,335** | **11,885** | **13,939** | **3,116** | **1,495** | **(85,639)** | **86,984** | **(1,282,369)** | **22,435** | **6,873** | **(1,215,946)** | **(3,116)** | **(912,696)** | **(540,870)** |

*The accompanying Notes 1 to 20 and Appendices I and II are an integral part of the total statement of changes in equity for 2014*

# PROMOTORA DE INFORMACIONES, S.A.
# STATEMENTS OF CASH FLOWS FOR 2014 AND 2013
# (in thousands of euros)

| | 2014 | 2013 |
|---|---|---|
| **A) CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| **1. Loss for the year before tax** | **(829,912)** | **(620,768)** |
| **2. Adjustments for** | **721,952** | **640,725** |
| a) Depreciation and amortization charge (+) | 1,319 | 6,188 |
| b) Impairment of non-current financial assets (+/-) | 856,504 | 542,697 |
| Impairment losses recognised for financial assets | 837,059 | 523,493 |
| Period provisions for contingencies and charges | 19,445 | 19,631 |
| Provisions for contingencies and charges used | - | (427) |
| c) Finance income (-) | (228,368) | (12,549) |
| d) Finance costs (+) | 193,512 | 156,613 |
| e) Dividends received | (18,231) | (76,417) |
| f) Income tax | (82,784) | 24,192 |
| **3. Changes in working capital** | **265,105** | **(115,491)** |
| a) Trade and other receivables (+/-) | (2,445) | 10,446 |
| b) Current prepayments and acrrued income | 504 | 521 |
| c) Current financial assets | 177,519 | (103,018) |
| d) Trade and other payables (+/-) | (9,773) | (106,347) |
| e) Change in deferred taxes (+/-) | 99,300 | 82,907 |
| **4. Other cash flows from operating activities** | **(202,936)** | **(137,671)** |
| a) Interest paid (-) | (40,118) | (61,779) |
| b) Dividends received (+) | 18,231 | 76,384 |
| c) Interest received (+) | 6,921 | 10,418 |
| d) Income tax recovered (paid) (+/-) | 3,598 | (89,214) |
| e) Other amounts received (paid) relating to operating activities (+/-) | (191,567) | (73,480) |
| **5. Cash flows from operating activities (+/-1+/-2+/-3+/-4)** | **(45,790)** | **(233,206)** |
| **B) CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| 6. Payments due to investment (-) | (14) | (2,047) |
| 7. Proceeds from disposal (+) | 482,888 | 1,919 |
| **8. Cash flows from investing activities (7-6)** | **482,874** | **(128)** |
| **C) CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| 9. Proceeds and payments relating to equity instruments | 100,304 | 1,533 |
| 10. Proceeds and payments relating to bank borrowings | (577,979) | 226,620 |
| 11. Proceeds and payments relating to borrowings from Group companies | 34,925 | 66,160 |
| 12. Dividends and returns on other equity instruments paid | - | - |
| **13. Cash flows from financing activities (+/-9+/-10-11-12)** | **(442,750)** | **294,313** |
| **E) NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS (+/-A+/-B+/-C+/-D)** | **(5,666)** | **60,980** |
| Cash and cash equivalents at beginning of year | 75,221 | 14,241 |
| Cash and cash equivalents at end of year | 69,555 | 75,221 |

*The accompanying Notes 1 to 20 and Appendix I and II are an integral part of the statement of cash flows for 2014*

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

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR 2014**

## 1.- COMPANY ACTIVITIES AND PERFORMANCE

### a) Company activities

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

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

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

The Group's consolidated financial statements for 2013 were approved by the shareholders at the Annual General Meeting held on April 28, 2014.

The consolidated financial statements for 2014 were authorized for issue by the Company's Directors on February 27, 2015.

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

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

In September 2, 2014, Prisa notified NYSE of its intent to terminate the registration of the ADSs with the Securities and Exchange Commission ("SEC") as agreed Board of Directors of July, 22 2014.

**b) Evolution of the Company**

On July 31, 2013, the absorption of Prisa Televisión, S.A.U. by Promotora de Informaciones, S.A. was filed at the Madrid Trade Register. Promotora de Informaciones, S.A. was the sole shareholder of the former. The Board of Directors approved this absorption on February 27, 2013.

As a result of this merger, Prisa Televisión, S.A.U. was dissolved and absorbed by Promotora de Informaciones, S.A., which acquired all its assets en masse by universal succession based on its merger balance sheet closed as at December 31, 2012 (*see Note 19*) and was fully subrogated all the rights and obligations of the absorbed company without any reservations, exceptions or limits in accordance with the law. All of this took place in line with the merger agreement and pursuant to articles 30 and subsequent of Act 3/2009, of April 3, on Structural Changes at Trading Companies.

The merger had accounting effects as of January 1, 2013.

The Company has a detailed list with all the assets received in the merger and their acquisition date (*see Note 19*).

The Company decided to use the special tax regime envisaged for mergers, spin-offs, asset contributions and securities swaps regulated in Chapter VIII of Title VII of the Consolidated Spanish Corporation Tax Law approved by Legislative Royal Decree 4/2004, as a result of the aforementioned absorption.

**c) Evolution of the financial structure of the Company and the Prisa Group**

In December 2013, the Group, of which the Company is heading, signed an agreement to roll over its financial debt, thus extending the maturities, making the reduction process more flexible and enhancing its liquidity profile (*see Note 7.3*).

The liquidity profile improved as a result of an additional credit line of EUR 353 million signed with certain institutional investors and a significant reduction in interest payments in cash.

The refinancing agreement includes a number of commitments to reduce the debt; to meet them, the Group will have several strategic options such as selling non-core assets, buying back debt at a discount in the market, leveraging operating assets, transferring debt between tranches and carrying out other M&A transactions. The contract has automatic mechanisms that prevent an early termination under certain assumptions if such commitments are not met, thus providing stability to the Group's capital structure.

In 2014 the Group carried out a number of operations to meet its debt reduction commitments.

In this way, EUR 643,543 thousands of debt was paid off *(see Note 7.3)*, with the proceeds from the sale of 13.7% of Mediaset España Comunicación, S.A. ("Mediaset España"), with an average discount of 25.7% *(see Notes 7.1 y 7.3).*

Also, the Board of Directors of Prisa held on July 22, 2014 has approved a capital increase for a total value of EUR 100,000 subscribed by Consorcio Transportista Occher, S.A. de C.V. ("Occher") *(see Note 7.5 ).* The proceeds of this capital increase were used to paid off EUR 133,133 thousand of debt at a discount of 25% *(see Note 7.3).* With these operations, during 2014 the debt of the Group has reduced in EUR 776,675 thousand.

In June 2014, the Group signed an agreement with Telefónica de Contenidos, S.A.U. for the sale of 56% of DTS, Distribuidora de Televisión Digital, S.A. for an amount of EUR 750 million, subject to usual adjustment in this type of transaction until the close of the transaction. The Company registered, at this time, an accounting loss of EUR 750,383 thousand for this operation.

At June 30, 2014, net equity of Prisa was negative in EUR 593,513 thousand, as a consequence of the transaction of DTS. According to the Corporate Enterprises Act, this situation constitutes a cause for dissolution. In order to reestablish this capital impairment situation, was launched a mechanism of automatic conversion of a portion of Tranche 3 of the Company´s debt into equity loans in an amount sufficient to compensate for this capital impairment situation.

During this period the Company undertook the aforementioned operations of buying up debt at a discount using proceeds from the share capital increase and the sales of Mediaset España (10%), which reduced the amount of equity loan required to compensate for the capital impairment situation.

The formalization of the process of conversion of debt into equity loan took place last September 15, amounting to EUR 506,834 thousand. This amount included the impact of those operations and also the operating losses until the conversion took place and brought the company's equity to two thirds of share capital *(see Note 7.3)*.

In December 2014, the Group reviewed the value of the sale price of DTS and recorded an additional impairment of EUR 23,789 thousand for the estimated impact of the evolution of the business of DTS until the close of the transaction, which according to company estimates, could occur in the second quarter of 2015 *(see Note 7.2).*

At 31 December 2014, as a result of, among other items, a review of the sale price of DTS, the equity of the parent company with regard to the cause of dissolution and/or reduction of capital stipulated in Spain's Corporate Enterprises Act (including participating loans outstanding at year-end) stood at EUR 31,554 thousand. In a bid to restore the equity balance, the automatic mechanism was again deployed to convert Tranche 3 of company debt into participating loans in a sufficient amount to offset the equity imbalance at the conversion date *(see Note 7.3)*.

As occurred with the automatic conversion that took place in the second half of 2014, in accordance with the Corporate Enterprises Act, the date on which the debt will be converted into participating loans will be five business days prior to expiry of the two-month period allowed for taking the necessary measures to restore the company's equity, calculated from the date on which the Directors became aware of the negative equity, i.e. the date on which they approved the financial statements showing the situation of negative equity.

## 2.- BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS

### a) Fair presentation

The accompanying financial statements for 2014, which were obtained from the Company's accounting records, are presented in accordance with Royal Decree 1514/2007, of November 16, approving the Spanish National Chart of Accounts and the modifications included in Spanish GAAP through Royal Decree 1159/2010 of September 17, 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, present fairly the Company's equity and financial position at December 31, 2014 and of the results of its operations, the changes in its equity and the cash flows generated by the Company in the year then ended.

These financial statements, which were formally prepared by the Company's directors, will be submitted for approval by the shareholders at the Annual General Meeting and it is considered that they will be approved without any changes. The 2013 financial statements were approved by the shareholders at the Annual General Meeting held on April 28, 2014.

### b) Comparison of information

In accordance with company legislation, each item of the balance sheet, income statement, statement of changes in net equity and cash flow statement for 2014 is shown with the figure for 2013 for comparison purposes. The notes to the financial statements also include quantitative information of the previous year, unless an accounting standard specifically establishes otherwise.

In June 2014, Prisa executed with Telefónica de Contenidos, S.A.U. a sale purchase agreement of all the shares of DTS, Distribuidora de Televisión Digital, S.A. (DTS) held by Prisa *(see Notes 1c, 7.1 y 7.2)*. Consequently, the Company reclassified the results of DTS as a discontinued operation (under "*Loss after tax from discontinued operations*"). For purposes of comparison, the income statement and cash flow at December 31, 2013 were restated to present DTS as a discontinued operation.

### c) Non-obligatory accounting principles

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

### d) Key issues in the measurement and estimation of uncertainty

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

In the accompanying financial statements for 2014 estimates were occasionally made by executives of the Company in order to quantify certain assets, liabilities, income, expenses and obligations reported herein. These estimates relate basically to the following:

- The measurement of assets and goodwill implicit to determine the possible existence of impairment losses *(see Notes 5, 6 and 7).*
- The useful life of property, plant, and equipment, and intangible assets *(see Notes 4b and 4a).*
- The hypotheses used to calculate the fair value of financial instruments *(see Note 7).*
- The assessment of the likelihood and amount of undetermined or contingent liabilities (*see Notes 4k and 10)*.
- The estimates made for the determination of future commitments.
- The recoverability of deferred tax assets *(see Note 8)*.
- The calculation of provisions (*see Note 10*).

Although these estimates were made on the basis of the best information available at the date of preparation of these financial statements on the events analyzed, it is possible that figures in the future differed materially from estimates and assumptions used. Changes in accounting estimates would be applied prospectively, recognizing the effects of the change in estimates in the future related income statements, as well as in assets and liabilities.

In 2014, there were no significant changes in the accounting estimates made at the end of 2013, except in the valuation of the price of DTS and the recoverability of deferred tax assets.

As a result of the agreement for the sale of the 56% of DTS in June 2014 (*see Notes 1c, 7.1 y 7.2*), Prisa has valued the stake in the company at the value of the transaction, subject to the adjustments corresponding to the effective time of the sale and registered the corresponding impairment. In December 2014, the Company reviewed the value of the sale price of DTS and recorded an additional impairment for the estimated impact of the evolution of the business until the close of the transaction, which according to company estimates could occur in the second quarter of 2015.

## 3.- ALLOCATION OF RESULT

The proposal for the distribution of the Company's loss for 2014 approved by the Company's Directors is the following (in thousands of euros):

| | Amount |
|---|---|
| **Basis of appropriation** | |
| Loss for the year | 912.696 |
| **Distribution-** | |
| At loss from previous years | 912.696 |

## 4.- ACCOUNTING POLICIES

The principal accounting policies applied by the Company in the preparation of the accompanying 2014 financial statements were as follows:

### a) Intangible assets

Intangible assets are recognized initially at acquisition or production cost and are subsequently measured at cost less any accumulated amortization and any accumulated impairment losses. Only assets whose cost can be estimated objectively and from which the Company considers it probable that future economic benefits will be generated are recognized. These assets are amortized over their years of useful life.

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

The "*Audiovisual rights*" account includes the cost of several audiovisual and image rights which are marketable in the long term. These rights are amortized on the basis of the estimated income obtained therefrom over the term of the related contracts.

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

### b) Property, plant and equipment

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

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

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

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

| | Years of estimated useful life |
|---|---|
| Buildings and structures | 50 |
| Other fixtures and furniture | 10 |
| Other items of property, plant and equipment | 4-10 |

**c) Impairment losses**

At each reporting date, or whenever it is considered necessary, the Company reviews the carrying amounts of its assets to determine whether there is any indication that those assets might have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the amount of the impairment loss (if any).

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

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

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

**d) Assets classified as held for sale**

The Company recognizes a non-current asset or disposal group as held for sale when it intends to sell it and it expects to realize the asset within twelve months.

These assets or disposal groups are measured at the lower of their carrying amount and fair value less costs to sell.

Non-current assets held for sale are not amortized, but at each balance sheet date the company re-measures the non-current asset so that the carrying amount does not exceed fair value less costs to sell.

Any gain or loss on the remeasurement of a non-current asset or disposal group classified as held for sale that does not meet the definition of a discontinued operation shall be included in profit or loss from continuing operations as appropriate.

**e) Financial instruments**

As the head of the Group, the Company prepares consolidated financial statements. The 2014 consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRSs) as approved by European Commission Regulations. The main aggregates of the PRISA Group's consolidated financial statements for 2014 prepared in accordance with IFRSs, are as follows.

| | **Thousands of euros** |
|---|---|
| Total assets | 3,591,570 |
| Equity | (617,771) |
| Loss for the year | (2,236,832) |

**Financial assets-**

***Equity investments in Group companies, jointly controlled entities and associates***

Equity investments in Group companies, jointly controlled entities and associates are measured at cost, net, where appropriate, of any accumulated impairment losses.

The amount of the adjustment for impairment is the difference between the carrying amount and recoverable amount, taken to be the higher of fair value less costs to sell and the present value of the estimated future cash flows from the investment. Unless the recoverable amount of the investment can be determined by its market value, it is based on the value of the equity of the investee, adjusted by the amount of the unrealized gains existing at the measurement date.

Of the impairment losses recognized at December 31, 2014, EUR 308,336 thousand was recognized under "*Provisions for third-party liability*" (*see Notes 4k and 10*).

***Loans and receivables***

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

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

***Held-to-maturity investments***

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

*Available-for-sale financial assets*

The Company classifies holdings in the equity of other companies which can be sold at any time in this category of financial assets. Available-for-sale financial assets are recognized at fair value without deducting any transaction costs that might be incurred on disposal. Changes in the fair value are recognized directly in equity until the financial asset is derecognised or becomes impaired, at which time the amount thus recognised is allocated to the income statement. In this sense, there is a presumption that impairment exists if there has been a fall of more than 40 % of the value of the asset or if there has been a decrease of the same extended over a period of a year and a half without recover its value.

**Financial liabilities-**

*Loans and payables*

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

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

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

*Compound financial instruments*

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

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

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

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

**Treasury shares-**

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

**f) Derivative financial instruments and hedge accounting-**

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

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

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

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

**g) Losses and gains from discontinued operations**

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

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

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

**h) Foreign currency transactions**

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

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

**i) Income tax**

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

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

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

Deferred tax assets may also arise from the carryforward of unused tax loss and generated and unused tax credits.

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

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

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

Deferred tax liabilities are recognized for all taxable temporary differences, except for those arising from the initial recognition of goodwill or of other assets and liabilities in a transaction that is not a business combination and affects neither accounting profit (loss) nor taxable profit (tax loss) and except for those associated with investments in subsidiaries, associates and joint ventures in which the Company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Current and deferred tax assets and liabilities arising from transactions charged or credited directly to equity are also recognized in equity.
The Company files consolidated tax returns as Parent of tax group number 2/91 as permitted by the Consolidated Spanish Corporation Tax Law approved by Legislative Royal Decree 4/2004, of March 5.

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

**j) Income and expenses**

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

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

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

**k) Provisions and contingencies**

The present obligations at the balance sheet date arising from past events which could give rise to a loss for the Company, which is uncertain as to its amount and timing are recognized as provisions in the balance sheet at the present value of the most probable amount that it is considered that the Company will have to pay to settle the obligation (*see Note 10*).

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

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

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

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

**m) Related party transactions**

Related party transactions are a part of the Company's normal business activities (in terms of their purpose and terms and conditions). Sales to related parties are carried out on an arm's length basis.

The most significant transactions performed with related companies are of a financial nature.

In mergers, the assets of the acquired business are valued for the amount corresponding to them in the Group's consolidated annual accounts.

## 5.- INTANGIBLE ASSETS

The transactions performed in 2014 in the various intangible asset accounts and the related accumulated amortization are summarized as follows (in thousands of euros):

| | Balance at 12/31/2013 | Aditions | Transfers | Disposals | Balance at 12/31/2014 |
|---|---|---|---|---|---|
| **Cost-** | | | | | |
| Concessions, patents and other | 60 | - | - | - | 60 |
| Audiovisual rights | 39,065 | - | - | (39,065) | - |
| Computer software | 20,872 | 10 | 13 | - | 20,895 |
| Advances and intangible assets in progress | 13 | - | (13) | - | - |
| **Total cost** | **60,010** | **10** | **-** | **(39,065)** | **20,955** |
| **Accumulated amortization-** | | | | | |
| Concessions, patents and other | (60) | - | - | - | (60) |
| Audiovisual rights | (39,065) | - | - | 39,065 | - |
| Computer software | (17,828) | (1,269) | - | - | (19,097) |
| **Total accumulated amortization** | **(56,953)** | **(1,269)** | **-** | **39,065** | **(19,157)** |
| **Total intangible assets, net** | **3,057** | **(1,259)** | **-** | **-** | **1,798** |

Derecognitions in 2014 under "*Audiovisual Rights*" correspond to rights over economic exploitation of 10% of rights from Real Madrid Club de Fútbol (image rights of the club, players and merchandising) which were acquired in 2001, valid until 2013. These rights were fully amortized at 31 December 2013.

At December 31, 2014, the Company's fully amortized intangible assets in use amounted to EUR 13,163 thousand (December 31, 2013: EUR 48,730 thousand)

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

**2013**

The transactions performed in 2013 in the various intangible asset accounts and the related accumulated amortization are summarized as follows (in thousands of euros):

| | Balance at 12/31/2012 | Merger additions *(Note 19)* | Aditions | Disposals | Balance at 12/31/2013 |
|---|---|---|---|---|---|
| **Cost-** | | | | | |
| Concessions, patents and other | 60 | 4 | - | (4) | 60 |
| Audiovisual rights | - | 39,065 | - | - | 39,065 |
| Computer software | 22,554 | - | 2,013 | (3,695) | 20,872 |
| Advances and intangible assets in progress | 447 | - | 13 | (447) | 13 |
| **Total cost** | **23,061** | **39,069** | **2,026** | **(4,146)** | **60,010** |
| **Accumulated amortization** | | | | | |
| Concessions, patents and other | (60) | (2) | - | 2 | (60) |
| Audiovisual rights | - | (37,893) | (1,172) | - | (39,065) |
| Computer software | (16,607) | - | (4,914) | 3,693 | (17,828) |
| **Total accumulated amortization** | **(16,667)** | **(37,895)** | **(6,086)** | **3,695** | **(56,953)** |
| **Total intangible assets, net** | **6,394** | **1,174** | **(4,060)** | **(451)** | **3,057** |

The 2013 additions to "*Advances and intangible assets in progress*" and "*Computer software*" related mainly to the various projects which the Company was implementing in the framework of the Group's Technology Plan. As these projects in progress were completed they were transferred to "*Computer software*."

## 6.- PROPERTY, PLANT AND EQUIPMENT

The transactions performed in 2014 in the various property, plant and equipment accounts and the related accumulated depreciation are summarized as follows (in thousands of euros):

| | Balance at 12/31/2013 | Additions | Balance at 12/31/2014 |
|---|---|---|---|
| **Cost-** | | | |
| Other fixtures and furniture | 437 | 4 | 441 |
| Other items of property, plant and equipment | 993 | - | 993 |
| **Total cost** | **1,430** | **4** | **1,434** |
| **Accumulated depreciation** | | | |
| Other fixtures and furniture | (212) | (44) | (256) |
| Other items of property, plant and equipment | (334) | (5) | (339) |
| **Total accumulated depreciation** | **(546)** | **(49)** | **(595)** |
| **Total property, plant and equipment, net** | **884** | **(45)** | **839** |

At December 31, 2014, the Company's fully depreciated property, plant and equipment in use amounted to EUR 362 thousand (December 31, 2013: EUR 318 thousand).

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

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

**2013**

The transactions performed in 2013 in the various property, plant and equipment accounts and the related accumulated depreciation are summarized as follows (in thousands of euros):

| | Balance at 12/31/2012 | Merger additions *(Note 19)* | Additions | Disposals | Balance at 12/31/2013 |
|---|---|---|---|---|---|
| **Cost-** | | | | | |
| Buildings | 310 | - | - | (310) | - |
| Other fixtures and furniture | 3,538 | 211 | 30 | (3,342) | 437 |
| Other items of property, plant and equipment | 1,072 | - | - | (79) | 993 |
| **Total cost** | **4,920** | **211** | **30** | **(3,731)** | **1,430** |
| **Accumulated depreciation** | | | | | |
| Buildings | (85) | - | (5) | 90 | - |
| Other fixtures and furniture | (2,667) | (22) | (89) | 2,556 | (212) |
| Other items of property, plant and equipment | (404) | - | (9) | 79 | (334) |
| **Total accumulated depreciation** | **(3,156)** | **(22)** | **(103)** | **2,735** | **(546)** |
| **Total property, plant and equipment, net** | **1,764** | **189** | **(73)** | **(996)** | **884** |

## 7. FINANCIAL INSTRUMENTS

### 7.1.- FINANCIAL ASSETS

The detail of "*Financial assets*" in the balance sheets at December 31, 2014 and 2013, based on the nature of the transactions, is as follows:

| Classes / Categories | Thousands of euros | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Non-current | | | | Current | | Total | |
| | Equity instruments | | Loans, derivatives and other | | Loans, derivatives and other | | | |
| | 12/31/14 | 12/31/13 | 12/31/14 | 12/31/13 | 12/31/14 | 12/31/13 | 12/31/14 | 12/31/13 |
| Group companies and associates | 1,510,558 | 3,656,813 | 325,692 | 304,690 | 152,074 | 320,919 | 1,988,324 | 4,282,422 |
| Held-to-maturity investments | - | - | 13 | 13 | 111,327 | 120,001 | 111,340 | 120,014 |
| Financial assets available for sale | 155,544 | - | - | | - | - | 155,544 | - |
| **Total** | **1,666,102** | **3,656,813** | **325,705** | **304,703** | **263,401** | **440,920** | **2,255,208** | **4,402,436** |

**Equity investments in Group companies and associates**

The transactions performed in 2014, in this category of financial assets, are summarized as follows (in thousands of euros):

| | Balance at 12/31/2013 | Aditions | Transfers | Disposals | Balance at 12/31/2014 |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| Investments in Group companies | 4,298,349 | 2 | (2,027,362) | - | 2,270,988 |
| Investments in associates | 591,287 | - | (124,384) | (465,727) | 1,176 |
| **Total cost** | **4,889,636** | **2** | **(2,151,746)** | **(465,727)** | **2,272,164** |
| **Impairment losses** | | | | | |
| In Group companies | (1,231,888) | (86,680) | 534,104 | 23,956 | (760,508) |
| In associates | (935) | (163) | - | - | (1,098) |
| **Total impairment losses** | **(1,232,823)** | **(86,843)** | **534,104** | **23,956** | **(761,606)** |
| **Group companies and associates** | **3,656,813** | **(86,841)** | **(1,617,642)** | **(441,771)** | **1,510,558** |

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

The most significant operations that took place in 2014 which gave rise to the aforementioned movements are as follows:

*Mediaset España-*

In April 2014, Prisa through a financial institution proceeded to place a pack of 15 million shares of Mediaset España, representing 3.69% of the share capital of said company, at a rate of 8.08 euros per share, which generated a disposal of EUR 125,289 thousand, a cash inflow of EUR 121,215 thousand, resulting in a negative difference considering the transaction costs with the "book value" of EUR 4,340 thousand, which is registered under the heading "*Profit on disposal of equity instruments*" in the accompanying income statements.

Also, in July 2014, Prisa sold 34.583.221 shares of Mediaset España, representing 8.5% of the share capital of said company, at a rate of 8.892 euros per share, which generated a disposal of EUR 288,859 thousand and a cash inflow of EUR 307,514 thousand, resulting in an income considering the transaction costs of EUR 18,078 thousand, which is registered under the heading "*Profit on disposal of equity instruments*" in the accompanying income statements. This shares were sold to the own Mediaset España.

In addition, during August and September, were sold 6,060,000 shares of Mediaset España. This sale resulted in the reduction of shareholding to 3.66%. These operations resulting in an income of EUR 3,422 thousand, which is registered under the heading "*Profit on disposal of equity instruments*" in the accompanying income statements. The disposal was EUR 50,617 thousand and the net amount obtained in these sales, EUR 55,191 thousand.

The net proceeds from these sales have been used to buy back a portion of its financial debt at a discount *(see Note 7.3).*

After the aforementioned sales the holding in this company was reclassified under "*Available-for-sale financial assets*" for 124,384 thousands of euro, given that with a holding of less than 5% the Company does not have a significant influence.

*DTS-*

In June 2014, the Board of Directors of Prisa executed with Telefónica de Contenidos, S.A.U. a sale purchase agreement of all the shares of DTS held by Prisa, representing a 56% of the share capital of DTS, for an amount of EUR 750 million, which is subject to usual adjustment in this type of transaction until the close of the transaction.

Mediaset España, shareholder of DTS, had an initial period of 15 calendar days from that 7moment on, and then extended until July 4, 2014, in order to exercise the pre-emptive right or the tag-along right in accordance with the provisions included in the bylaws and the shareholder´s agreement. Once that period expired, Mediaset España did not exercise any of the aforementioned rights. Afterwards, in July 4, 2014, Mediaset España signed an agreement to sale its 22% stake in DTS to Telefónica de Contenidos, S.A.

The closing of transaction is subject to the prescriptive authorization of the Spanish anti-trust authorities who may impose conditions or commitments for the approval of the operation. In case that as a result of this authorization process, for any reason, the execution of the sale of DTS was not completed, the sale purchase agreement provides a mechanism by means of which Telefónica could, among other options, present an acquirer to Prisa to buy its stake in DTS within six months in the same terms and conditions provided in the sale purchase agreement executed with Telefónica.

In addition, if the sale of DTS to Telefónica or to a third party, in accordance with the sale purchase agreement signed with Telefónica, was not executed, the financial and strategic situation of the Group could be impacted in the long term.

This transaction, net of the estimated costs to sell, has resulted into an accounting loss of EUR 750,383 thousand in the financial statement of Prisa in June 2014 *(see Note 1c).*

The Company  transfered its stake in DTS at their carrying value from the category "Equity Instruments" to the category "Non-current assets held for sale" (*see Note 7.2*).

**Available-for-sale financial assets**

This heading includes Prisa's stake in Mediaset España Comunicación, S.A., which at 31 December 2014 represents 3.66% of this company's equity for a value of 155,544 thousands of euros.

As a result of transactions carried out by the Company in 2014 (*see Note 1c*), Prisa has reduced its stake in Mediaset España Comunicación, S.A. by 13.68% and, since September, it has no longer had a significant influence on this company, its stake being less than 5%. This change of control led to the reclassification of its stake for 124,384 thousand euros, representing 3.66% of equity under the heading "*Investments in associates*" to the heading "*Available for sale financial assets*".

Having reclassified this, the Company recognises its stake in Mediaset España Comunicación, S.A. at fair value. As the shares in Mediaset España Comunicación, S.A. are listed on the Madrid Stock Exchange, the Company used the listed price at year end (10.445 euros) to calculate the fair value of this investment at 31 December 2014. The increase in fair value between September and December 2014 of 31,160 thousand euro was recognised directly in the Company's equity net of tax (*see Note 8*).

**2013**

The transactions performed in 2013, in this category of financial assets, are summarized as follows (in thousands of euros):

| | **Balance at 12/31/2012** | **Merger additions** *(Note 19)* | **Aditions** | **Transfers** | **Merger disposals** *(Nota 19)* | **Disposals** | **Balance at 12/31/2013** |
|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | |
| Investments in Group companies | 5,685,766 | 2,275,518 | - | - | (3,662,935) | - | 4,298,349 |
| Investments in associates | 4,637 | 617,878 | 507 | (3,300) | - | (28,435) | 591,287 |
| **Total cost** | **5,690,403** | **2,893,396** | **507** | **(3,300)** | **(3,662,935)** | **(28,435)** | **4.889.636** |
| **Impairment losses** | | | | | | | |
| In Group companies | (1,376,225) | (212,187) | (526,653) | - | 879,068 | 4,109 | (1,231,888) |
| In associates | (4,637) | (26,591) | (1,442) | 3,300 | - | 28,435 | (935) |
| **Total impairment losses** | **(1,380,862)** | **(238,778)** | **(528,095)** | **3,300** | **879,068** | **32,544** | **(1,232,823)** |
| **Group companies and associates** | **4,309,541** | **2,654,618** | **(527,588)** | **-** | **(2,783,867)** | **4,109** | **3,656,813** |

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

As a result of the merger with Prisa Televisión, S.A.U. (*see Note 1b*), the following companies formed part of the absorbing company's balance sheet under "Equity instruments":

- DTS, Distribuidora de Televisión Digital, S.A., in accordance with accounting standards, the Company’s directors had valued at its net carrying amount in the consolidated annual accounts at January 1, 2013, which amounted to EUR 2,027,362 thousand. Its net carrying amount in the individual financial statements of Prisa Televisión, S.A.U. before the merger amounted to EUR 650,701 thousand.

- Audiovisual Sport, S.L., a Group company with a net carrying amount of EUR 35,875 thousand.

- Promotora Audiovisual de Colombia PACSA, S.A., a Group company with a net carrying amount of EUR 94 thousand.

- Canal Club de Distribución de Ocio y Cultura, S.A., a Group company with a net carrying amount of EUR 2,138 thousand.

- Mediaset España Comunicación, S.A., in accordance with accounting standards, the Company’s directors had valued at its net carrying amount in the consolidated annual accounts at January 1, 2013, which amounted to EUR 589,149 thousand. Its net carrying amount in the individual financial statements of Prisa Televisión, S.A.U. before the merger amounted to EUR 589,883 thousand.

- V-Me Media Inc., an associate with a net carrying amount of zero euros as a result of the full depreciation of the value of the stake.

Nevertheless, as a result of the merger, Prisa Televisión, S.A.U. was derecognized, with a net carrying amount of EUR 2,783,867 thousand.

Among the impairment losses recognize under this heading, was collected mainly an impairment loss of EUR 514,371 thousand for DTS, Distribuidora de Televisión Digital, S.A., since according to the estimates and projections available to the management, future cash flows allocated to the investment of Prisa in DTS (56%) was not expected to allow to recover the net value of the investment registered at December 31, 2012.

According to five-year forecasts, management based its value-in-use calculations for DTS's audiovisual business on the following:

*Variations in the number of subscribers and ARPU (Average Revenue Per User)* – The combination of these variables make up the bulk of revenues from DTS's business (75.1% of the total in 2013). In its assumptions, management factored in any increase in the numbers of subscribers of the offering that DTS was distributing by satellite and internet as a result of not only a recovery in the number of new subscribers, but also a decrease in cancellation rates. It also considered the impact on the number of subscribers and on the cost of attracting them of the recent changes in the competitive environment due to aggressive commercialization made by certain operators as they were giving contents for free in combination with other services and the growing competition in purchasing content. It also envisaged growth in other platforms thanks to the content distribution agreements signed with the main telecommunications operators.

In addition, in 2013, the audiovisual business's operating indicators continued to be affected by the difficult economic and consumer environment in Spain and the VAT increase in pay TV from 8% to 21%, which had a negative impact on subscriber numbers.

*Increase in programming costs* – In its projections, management estimated the future consequences of commitments acquired with service and content providers, assuming where applicable, that those services will continue to be provided and that it will have access to the same high-quality content as now. In this sense, it would take some time to absorb the increase in costs in the soccer model. Estimates operating costs reflected streamlining plans begun in prior years, as well as growth plans that should strengthen and transform certain business areas.

The management assumed that the effects of this new competitive position will go beyond the short term.

An adverse change in the key assumptions which are individually used for the valuation could lead to future impairment recognition. Specially, a 5% decrease in ARPU in the next five years would generate an additional impairment of goodwill of approximately EUR

58,000 thousand. For a 5% decrease in subscriber numbers in the next five years, the additional impairment would total EUR 41,000 thousand. A 0.5% increase in the discount rate would lead to additional impairment of EUR 115,000 thousand.

**Impairment tests**

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

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

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

These projections cover the following five years and include a residual value that is appropriate for each business. In order to calculate the present value of these flows, they are discounted at a rate that reflects the weighted average cost of capital employed adjusted for the country risk and business risk. Therefore, in 2014 the rate for the most relevant impairment test is around 10% (in 2013 the range of rates was from 8% to 10%).

**Loans to Group companies and associates**

"*Loans to Group companies and associates*" includes mainly the loans granted to Group companies and associates, the detail being as follows:

| Group Company | Type of Loan | Final Maturity | Balance at 12/31/2012 | Additions | Transfers | Balance at 12/31/2013 |
|---|---|---|---|---|---|---|
| Promotora de Emisoras de Televisión, S.A. | Participating | 2016 | 29,052 | - | - | 29,052 |
| Promotora de Emisoras, S.L. | Participating | 2016 | 41,456 | - | - | 41,456 |
| Promotora de Actividades América 2010, S.L. | Participating | 2016 | 1,020 | - | - | 1,020 |
| Promotora Audiovisual de Colombia, S.A. | Financial | 2016 | 320 | - | - | 320 |
| Prisaprint, S.L. | Participating | 2016 | 211,247 | 6,356 | - | 217,603 |
| Prisa Digital, S.L. | Participating | 2023 | 21,595 | 14,646 | - | 36,241 |
| **Group companies, total** | | | **304,690** | **21,002** | **0** | **325,692** |

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

**Current investments in Group companies and associates**

The Company pools all the cash balances of the Prisa Group companies located in Spain through transfers from (to) the banks at which it has demand deposits. The balances in this connection earn and bear interest for the Company at rates tied to Euribor plus a spread. At December 31, 2014, this heading included EUR 107,701 thousand of balances and interest receivable from Group companies arising from the above-mentioned cash pooling (EUR 278,099 thousand in 2013).

This heading also includes, *inter alia*, the installments falling due within one year of the loans to Group companies and the accrued interest payable on these loans amounting to EUR 44,373 thousand (EUR 42,820 thousand in 2013).

**Other current financial assets**

At 31 December 2014, Promotora de Informaciones, S.A. has recognised an amount of 111,326 thousand euros under this heading in the attached balance sheet. This corresponds to deposits, eurodeposits and fixed term contracts maturing within one year held by the company with a number of financial institutions.

At 31 December 2013, the company showed a balance under this heading of 120,000 thousand euros corresponding to the amount pending disbursement from the syndicated financial agreement signed with a group of 16 financial investors in 2013 (Tranche 1) (s*ee Note 7.3*). This amount was disbursed in January 2014, after issuing the "Warrants Prisa 2013 (*see Note 7.5*).

## 7.2. NON-CURRENT ASSETS HELD FOR SALE

Under this heading is registered the participation of the Company in DTS, Distribuidora de Televisión Digital, SA as a result of the purchase agreement signed between Prisa and Telefonica de Contenidos, SAU described below, to met the requirements of the Spanish National Chart of Accounts that those assets are classified as non -current assets held for sale.

| | In thousand of euros |
|---|---|
| DTS | 719,086 |
| **Total** | **719,086** |

In June 2014, the Board of Directors of Prisa executed with Telefónica de Contenidos, S.A.U. a sale purchase agreement of all the shares of DTS held by Prisa, representing a 56% of the share capital of DTS, for an amount of EUR 750 million, which is subject to usual adjustment in this type of transaction until the close of the transaction (*see Note 7.1*).

Mediaset España, shareholder of DTS, had an initial period of 15 calendar days from that 7moment on, and then extended until July 4, 2014, in order to exercise the pre-emptive right or the tag-along right in accordance with the provisions included in the bylaws and the shareholder´s agreement. Once that period expired, Mediaset España did not exercise any of the aforementioned rights. Afterwards, in July 4, 2014, Mediaset España signed an agreement to sale its 22% stake in DTS to Telefónica de Contenidos, S.A.

The closing of transaction is subject to the prescriptive authorization of the Spanish anti-trust authorities who may impose conditions or commitments for the approval of the operation. In case that as a result of this authorization process, for any reason, the execution of the sale of DTS was not completed, the sale purchase agreement provides a mechanism by means of which Telefónica could, among other options, present an acquirer to Prisa to buy its stake in DTS within six months in the same terms and conditions provided in the sale purchase agreement executed with Telefónica.

In addition, if the sale of DTS to Telefónica or to a third party, in accordance with the sale purchase agreement signed with Telefónica, was not executed, the financial and strategic situation of the Group could be impacted in the long term.

This transaction, net of the estimated costs to sell, has resulted into an accounting loss of EUR 750,383 thousand in the financial statement of Prisa in June 2014 *(see note 7.1)*.

The Company transfered its stake in DTS from the category "Equity Instruments" to the category "Non-current assets held for sale" in the amount of 742,875 thousand euros in June 2014 (*see Note 7.1*).

The net equity of Prisa at June 30, 2014, as a consequence of DTS operation, was negative in EUR 593,513 thousand. According to the Corporate Enterprises Act, this situation constitutes a cause for dissolution. In order to reestablish this capital impairment situation, was launched a mechanism of automatic conversion of a portion of Tranche 3 of the Company´s debt into equity loans in an amount sufficient to compensate for this capital impairment situation. The formalization of the process of conversion of debt into equity loan took place last September 15, amounting to EUR 506,834 thousand (*see Note 7.3*).

At 31 December 2014, the Company has reviewed the value of the sale price of DTS and recorded an additional impairment of EUR 23,789 thousand for the estimated impact of the evolution of the business until the close of the transaction, which according to company estimates, could occur in the second quarter of 2015.

The losses described above, coupled with the imperment of 19,733 thousand euros registered by the Company during the first months of 2014 until the signing of the agreement, has meant a total imperment of 793,905 thousand euros for the participation in DTS during 2014. The result of this transaction is presented in the accompanying income statement as "*Loss after tax from discontinued operations*"

At 31 December 2014, as a result of, among other items, a review of the sale price of DTS, the equity of the parent company with regard to the cause of dissolution and/or reduction of capital stipulated in Spain's Corporate Enterprises Act (including participating loans outstanding at year-end) stood at EUR 31,554 thousand. In a bid to restore the equity balance, the automatic mechanism was again deployed to convert Tranche 3 of company debt into participating loans in a sufficient amount to offset the equity imbalance at the conversion date *(see Note 7.3)*.

## 7.3. FINANCIAL LIABILITIES

### Loans and payables

| Classes / Categories | Thousands of euros | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Non-current | | | | | | Short-term | | | | | | | |
| | Bank borrowings | | Debt securities | | Derivatives and other | | Bank borrowings | | Debt securities | | Derivatives and other | | Total | |
| | 12/31/14 | 12/31/13 | 12/31/14 | 12/31/13 | 12/31/14 | 12/31/13 | 12/31/14 | 12/31/13 | 12/31/14 | 12/31/13 | 12/31/14 | 12/31/13 | 12/31/14 | 12/31/13 |
| Loans and payables | 2,490,301 | 3,103,442 | 3 | - | 118,574 | 58,898 | 3,894 | 31,523 | - | 4,361 | 910,056 | 1,137,932 | 3,522,828 | 4,336,156 |
| Liabilities at fair value through profit or loss | - | - | - | - | - | 1,829 | - | - | - | - | 721 | - | 721 | 1,829 |
| **Total** | **2,490,301** | **3,103,442** | **3** | **-** | **118,574** | **60,727** | **3,894** | **31,523** | **-** | **4,361** | **910,777** | **1,137,932** | **3,523,549** | **4,337,985** |

### Bank borrowings

At December 31, 2014, the Company's bank borrowings were as follows (in thousands of euros):

| | Maturity | Limit | Drawn-down amount maturing at short term | Drawn-down amount maturing at long term |
|---|---|---|---|---|
| Syndicated loan Tranche 1 | 2015 | 371,785 | - | 371,785 |
| Syndicated loan Tranche 2 | 2018 | 646,739 | - | 646,739 |
| Syndicated loan Tranche 3 | 2019 | 1,029,440 | - | 1,029,440 |
| Participative Loan (PPL) | 2019 | 509,931 | - | 509,931 |
| Subordinated Loan | 2020 | 31,094 | - | 31,094 |
| Finance leases, interest and other | 2015-2019 | - | 3,894 | 7,827 |
| Loan arrangement costs | 2019 | - | - | (106,516) |
| **Total** | | **2,588,990** | **3,894** | **2,490,301** |

Bank borrowings are adjusted in the balance sheet by the loan origination and arrangement costs.

To determine the fair value of the financial debt, and in accordance with accounting standards we used the Euribor curve and the discount factor supplied by the bank and the actual credit risk arising from a report provided by an independent expert regarding the transactions made in the secondary debt market (level 2 variables, estimates based on other observable market methods). Therefore, the fair value of Prisa's financial debt amounts to EUR 1,937,182 thousand at December 31, 2014.

The methodology followed to calculate the debt has used the secondary market value of Prisa's refinanced debt (composed of the three tranches). This way, the Group's debt is valued at a 22.33% average discount over the real principal payment obligation to the creditor entities.

*Syndicated loan (Tranche 1)-*

In December 2013, in the context of the financial debt rollover, Prisa signed a syndicated financing agreement with a group of 16 financial investors amounting to a maximum of EUR 353,261 thousand which has been fully drawn down. This loan falls due in two years, and the terms is automatically extended for a further year, unless a number of conditions are met, and at present the Directors consider these will not arise. Therefore as of December 31, 2014 this loan is classified as a long term loan although this fact does not limit the ability of Prisa to prepay it, as stipulated in the refinancing agreement.

This syndicated loan is tied to Euribor plus a spread negotiated with the lenders and has a fixed capitalizable cost (PIK).

Pursuant to the conditions for capitalisation of the PIK on Tranche 1, a portion of the PIK was capitalised in 2014, increasing debt by EUR 18,524 thousand.

The lenders have agreed that Tranche 1 will have a super senior range compared with the other refinanced debt, as explained in the next section.

*Syndicated loan (Tranches 2 and 3) and Participated loan*

In December 2013, in the context of the financial debt rollover, Prisa agreed a novation of its syndicated loan, bridge loan and credit policies amounting to EUR 2,924,732 thousand. The debt novation is structured into two tranches with the following characteristics:

- EUR 646,739 thousand (Tranche 2) with a long-term maturity (5 years) and the cost tied to Euribor plus a spread negotiated with the lenders; and

- EUR 2,277,993 thousand (Tranche 3) with a long-term maturity (6 years) and the cost is a spread negotiated with the lenders plus a capitalizable fixed cost (PIK).

Pursuant to the conditions for capitalisation of the PIK on Tranche 3, a portion of the PIK was capitalised in 2014, increasing debt by EUR 34,957 thousand.

The refinancing agreement includes a number of commitments to reduce Tranche 3 debt: EUR 900,000 thousand in the second year and an additional EUR 600,000 thousand in the third year. To meet the agreed redemptions, the agreement has several options such as selling non-core assets, buying back debt at a discount in the market, leveraging assets, transferring debt from Tranche 3 to 2 and carrying out other M&A transactions. The contract has automatic mechanisms that prevent an early termination under certain assumptions if such commitments are not met, thus providing stability to the Group's capital structure.

Pursuant to these commitments to reduce debt, in 2014 the Company bought up debt on the market at a discount for the purposes of partially cancelling Tranche 3 in the amount of EUR 776,676 thousand. Funds for the debt buy-up were obtained from the following operations:

- In April 2014, the placement of a pack of 15 million shares of Mediaset España, generated a cash inflow of EUR 119,397 thousands, net of costs of the transaction. This cash inflow was used to buy debt back at a discount for total of EUR 164,959 thousand, at an average discount of 0.2762 euros per euro (i.e., at a price of 72.38%) (*see Note 7.1*).

- Also in August 2014, with the proceeds from the sale of 8.5% of Mediaset España, Prisa agreed to repayment an amount of EUR 406,640 thousand of debt at an average discount of EUR 0.2505 per euro (that is, at an average price of 74.95%) (*see Note 7.1*).

- In September 2014, with the proceeds from the sale of 1.5% of Mediaset España, EUR 71,943 thousand of debt was repurchased at an average discount of EUR 0.25 per euro (i.e., at price of 75%) (*see Note 7.1*).

- Also, in September 2014, with the proceeds from the capital increase subscribed by Occher (*see Note 7.5*) EUR 133,133 thousand of debt was repurchased at an average discount of 25%.

After cancelling debt of EUR 776,675 thousand, the sum remaining to meet the commitment to reduce Tranche 3 debt by EUR 900,000 thousand in 2015 stood at EUR 123,324 thousand. The Company could cancel this sum with the proceeds of the sale of DTS or the sale of non-strategic assets.

In June 2014, as a result of the loss of EUR 750,383 thousand recognised by the Company following the sale of a 56% stake in DTS, its equity was negative in the amount of EUR 593,513 thousand, and therefore the Parent Company qualified for dissolution in accordance with Spain's Corporate Enterprises Act. In order to restore the equity balance, the mechanism was used to automatically convert part of Tranche 3 of the company's debt into participating loans for a sufficient amount to offset the negative equity.

During this period the Company bought up debt at a discount using the proceeds of the share capital increase subscribed by Occher and the sale of 10.0% of Mediaset España, described above, which significantly reduced the amount of the participating loan required to restore the balance of equity.

The process to convert debt into the participating loan was carried out on 15 September, in the amount of EUR 506,834 thousand. This amount included the impact of those operations and also the operating losses until the conversion took place, and brought the company's equity to two thirds of share capital.

The financial cost of the participating loan was the same as for Tranche 3. In 2014 the PIK capitalised amounted to EUR 3,097 thousand, and the balance of the participating loan at 31 December 2014 was EUR 509,931 thousand.

Following the movements described above, the sum of Tranche 3 stood at EUR 1,029,440 thousand at 31 December 2014.

At 31 December 2014, as a result of, among other items, a review of the sale price of DTS and recognition of additional impairment of EUR 23,789 thousand, the equity of the Company with respect to the cause of dissolution and/or reduction of capital stipulated in Spain's Corporate Enterprises Act (including participating loans outstanding at year-end) stood at EUR 31,554 thousand. In a bid to restore the equity balance, the automatic mechanism was again deployed to convert Tranche 3 of company debt into participating loans in a sufficient amount to offset the equity imbalance at the conversion date *(see Note 7.3)*.

As occurred with the automatic conversion that took place in the second half of 2014, in accordance with the Corporate Enterprises Act, the date on which the debt will be converted into participating loans will be five business days before expiry of the two-month period allowed for taking the necessary measures to restore the company's equity, calculated from the date on which the Directors became aware of the negative equity, i.e. the date of approval of the financial statements showing the situation of negative equity.

The financial agreements establish that the Prisa Group must comply with certain financial ratios. The Group’s directors consider that the financial ratios established in these agreements were met at December 31, 2014.

Likewise, the refinancing agreement includes grounds for acceleration usual in this kind of contracts, which include the acquisition of control of Prisa, understood as meaning the acquisition by one or more people acting in concert of more than 30% of the capital with voting rights.

The guarantee structure for Tranches 1, 2 and 3 is as follows:

- Personal guarantees

  At December 31, 2014, the new syndicated loan and the novation of the other loans, i.e. Tranches 1, 2 and 3, are jointly and severally guaranteed by the companies of Grupo Bidasoa Press, S.L., Dédalo Grupo Gráfico, S.L., Diario El País, S.L., Distribuciones Aliadas, S.A., Grupo Empresarial de Medios Impresos, S.L. and Norprensa, S.A.

  Apart from this common guarantee for the debt's three tranches, Prisa Radio, S.L. and Vertix, SGPS, S.A. only guarantee the novation of the syndicated loan, bridge loan and credit policies (Tranches 2 and 3), with the following limits:

  - The guarantee granted by Prisa Radio, S.L. is limited to the maximum amount of the lower of the following:

    (i) EUR 1,314,706 thousand; and

    (ii) 73.49% of its net equity at any given time; y

    (iii) The guarantee granted by Vertix SGPS, S.A. is limited to the maximum amount of EUR 600,000 thousand.

- Secured guarantees

  At December 31, 2013, as a result of the new syndicated loan and the novation of the other loans, Prisa arranged a new pledge on the shares it owns of Prisa Radio, S.L. (73.49%of share capital), DTS, Distribuidora de Televisión Digital, S.A. (56%of share capital), Grupo Santillana de Ediciones, S.L. (75% of share capital) and some of its stake in Mediaset España Comunicación, S.A. (14.29%of share capital). Nevertheless, as a result of (i) the accelerated bookbuilt offer carried out in April 10, 2014 by means of which Prisa sold 15 million of shares of Mediaset España Comunicación, S.A. *(see Note 7.1)* and (ii) the extension of the pledge arranged in June 3, 2014 on 8.171.376 additional shares of Mediaset previously pledged in favor of Mediaset, (iii) the sale of 34,583,221 shares of Mediaset España Comunicación, S.A. agreed on 24 July 2014 and (iv) sales of Mediaset España Comunicación, S.A. shares in August and September 2014, at December 31, 2014, pledge on the shares of Mediaset in favor of bank entities amounts to a 2.62% of the share capital of Mediaset.

  On January 10, 2014, Prisa also arranged a pledge on its stake in Audiovisual Sport, S.L. (80% of share capital).

  Prisa also arranged a secure guarantee on part of its stake in Grupo Media Capital SGPS, S.A. (84.69% of share capital), guaranteeing Tranches 2 and 3.

Lastly, Prisa also arranged a guarantee on certain buildings and credit rights in relation to the lenders of the financing to Dédalo Grupo Gráfico, S.L.

*Subordinated Debt–*

This debt originates from interest, known as "coupons", on the convertible bonds subscribed in 2012 by HSBC, Caixa and Santander, in their capacities as the company's bank lenders, payable in July 2013 and July 2014 (*see Note 7.5*).

On 10 June 2013, as part of the refinancing process, HSBC, Caixa and Santander agreed that payment of this interest would be made exclusively at the date of mandatory conversion of the bonds, i.e. 7 July 2014. After the agreement, the Company proceed to capitalise this debt in the amount of EUR 29,657 thousand and classified it under "*Current bank borrowings*".

When the convertible bonds and their coupons fell due, Prisa and its bank lenders (HSBC, Caixa and Santander) agreed to convert the sum of the interest capitalised into subordinated debt. On 31 December 2014 the parties subscribed a subordinated loan in the amount of EUR 31,094 thousand.
This debt is contractually subordinated to payment of the remainder of the debt on Prisa's Tranches 1, 2 and 3 (and therefore not subordinated to any other Prisa debt). It falls due at least 12 months after all the sums outstanding pursuant to the refinancing contracts have been repaid in full. Its cost is a margin negotiated with the lenders, and a fixed cost that may be capitalised annually (PIK). It is recognised under "*Non-current bank borrowings*" in the accompanying consolidated balance sheet.

**Payable to Group companies and associates**

The detail of "*Payable to Group companies and associates*" at December 31, 2014, was as follows (in thousands of euros):

| | Non-current | Current |
|---|---|---|
| Investment tax credits | 56,083 | - |
| Other payables | 62,491 | 678,385 |
| Cash pooling | - | 231,671 |
| **Total** | **118,574** | **910,056** |

*Other non-current payables-*

At 31 December 2014 the Company offset the accounts payable to and receivable from its subsidiary Prisa División Inmobiliaria, S.L. for "*cash pooling*", transforming the remaining balance into a participating loan for 62,491 thousand euros.

*Other current payables-*

Until the transaction with Liberty Acquisition Holdings Virgina, Inc. is finalized, this account temporarily includes the obligation arising from the transfer of EUR 650 million to Promotora de Informaciones, S.A. related to the subsequent integration agreements and capital increase and exchange of shares carried out by the Company in November 2010.

*Investment tax credits-*

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

*Cash pooling-*

At December 31, 2014, this heading included EUR 231,671 thousand of balances and interest payable to Group companies arising from the above-mentioned cash pooling.

**Derivative financial instruments**

The Company includes in this category the fair value of various interest rate hedging instruments that do not qualify as effective hedges.

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

The changes in the value of these financial instruments, which is provided periodically by the banks with which the hedges were arranged, are recognized as finance income or finance costs for the year. Additionally, in 2013 and as a result of applying the new accounting standards, the actual credit risk has been included in the fair value of these derivatives; this effect has been recorded as a reserve, in accordance with the valuation standards established on first application.

The fair value that includes the actual credit risk of the interest rate hedge derivatives is recorded under "*Derivatives*" on the non-current liabilities side of the attached balance sheet.

*Interest rate derivatives-*

The interest rate derivatives arranged by the Company and outstanding at December 31, 2014 are as follows:

| | | | | | Nominal | |
|---|---|---|---|---|---|---|
| Company | Instrument | Expiry | Nominal Value | Fair Value | Outstanding 2014 | Outstanding 2015 |
| Prisa | IRS | 2015 | 300,000 | (721) | 300,000 | - |
| **Total** | | | **300,000** | **(721)** | **300,000** | **-** |

*Analysis of sensitivity to interest rates-*

The settlement value of the interest rate derivatives arranged by the Company depends on the changes in the Euribor and long-term swap interest rate curves. These derivatives had a negative settlement value (fair value that does not include the actual credit risk) of EUR 726 thousand at December 31, 2014 and EUR 1,857 thousand at December 31, 2013.

Following is a detail, in thousands of euros, of the analysis of the sensitivity of the fair values of derivatives at December 31, 2014 to changes in the euro interest rate curve that the Company considers to be reasonable:

| **Sensitivity (before tax)** | **12/31/2014** | **12/31/2013** |
|---|---|---|
| +0.5% (increase in interest rate curve) | 544 | 2,037 |
| -0.5% (decrease in interest rate curve) | (36) | (642) |

The sensitivity analysis shows that the negative fair value of the interest rate derivatives decreases in the event of upward shifts in the interest rate curve, partially reducing the projected higher cost of borrowings.

The Company considers that interest rates for the financial debt will probably fluctuate by 0.5%. If the interest rates increase by this amount, the borrowing costs will rise by EUR 3,279 thousand in 2015, taking into account the expected maturities.

*Liquidity and interest rate risk tables-*

The following table shows an analysis of the Company's liquidity in 2014 for its derivative financial instruments. The table was prepared on the basis of undiscounted net cash flows.

When the related settlement (receivable or payable) is not fixed, the amount was determined using the implicit values calculated on the basis of the interest rate.

| (Thousands of euros) | 1-3 months | 3 Months - 1 year | 1-5 years | + 5 years |
|---|---|---|---|---|
| Intereset rate derivates | (574) | (152) | - | - |

*Financial liabilities arising from the settlement options as part of the obligatory conversion of the Class B non-voting shares-*

At December 31, 2010, as a result of the capital increase transactions mentioned, a non-current financial liability amounting to EUR 89,317 thousand was recognized; this corresponds to the Company's potential obligation to deliver additional shares or cash as part of the mandatory conversion of the Class B non-voting shares, if during the 20 trading sessions immediately prior to the date of conversion the weighted average price of Class A ordinary shares is below EUR 2.00 (s*ee Note 7.5*). At December 31, 2013, the fair value of this liability stood at EUR 41,575 thousand and it is registered "*Current Liabilities - Derivatives*" on the accompanying balance sheet at December 31. In June 2014 this financial liability with a fair value of EUR 41,011 thousand was reclassified to equity after 42 months from the date of issue of the shares. The Black-Scholes Method was used to determine fair value.

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

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

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

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

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

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

**Other financial liabilities**

*Financial liability for measurement of the coupon paid to bondholders-*

The bonds mandatorily convertible into Class A shares (*see Note 7.5*), subscribed in July 2012 and maturity in July 2014, were treated as a compound financial instrument, with a liability component at the present value of the guaranteed coupon at a the 1-month Euribor rate plus a spread of 4.15%, which led to the recognition of EUR 16,866 thousand under *"Other Non-current financial liabilities"* and EUR 18,508 thousand under *"Other Current financial liabilities*" in accordance with their payment dates.

In 2013, within the refinancing process the Company capitalized the coupons corresponding to the bank lenders payable in July 2013 and July 2014 amounting to EUR 29,657 thousand and classify this liability under "*Current bank debts*".

On 31 December 2014 Prisa subscribed a subordinated loan with the bank lenders for the amount of the coupons plus the interest, in the total amount of EUR 31,094 thousand (*see Notes 7.3 and 7.5*). This liability is recognised under "*Non-current bank borrowings*" in the accompanying consolidated balance sheet.

**7.4- NATURE AND RISK OF THE FINANCIAL INSTRUMENTS**

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

*Interest rate hedges-*

The Company is exposed to interest rate risk since all of its bank borrowings bear interest at floating rates. In this regard, the Company arranges interest rate hedges, basically through contracts providing for interest rate caps, in relation to the subordinated credit facility described in *Note 7.3*.

**7.5- EQUITY**

The detail of the transactions recognized under "*Equity*" at December 31, 2014 and in 2013 is summarized in the statement of changes in equity.

**Share capital**

Both the share capital and the number of shares of each class (ordinary Class A shares and no voting Class B shares until their mandatory conversion), have been amended in 2014, on the occasion of the following transactions:

*Conversion of no voting Class B shares-*

a) Exercise of the voluntary conversion of 212,048 non- voting_Class B shares into the same number of ordinary Class A shares, and increase of capital by issuing 52,460 ordinary Class A shares for the purpose of attending the payment of minimum annual dividend, under the capital increase resolution adopted at the Extraordinary General Meeting of November 27, 2010, in which Class B shares were issued.

b) Mandatory conversion of 311,789,008 non-voting Class B shares into an equal number of ordinary Class A shares of PRISA, having elapsed 42 months from the date of their issuance, by virtue of the resolutions adopted at the Extraordinary Shareholders Meeting of November 27, 2010 and the Ordinary Shareholders Meeting of April 28, 2014.

Additionally, and in order to meet this mandatory conversion, the following transactions have been carried out:

- Capital increases by issuing 102,890,351 ordinary Class A shares for the purpose of attending the delivery of additional Class A common shares as a result of the modification of the conversion rate and having been fixed the conversion rate in the maximum expected, that is 1.33 ordinary Class A shares for each non-voting convertible Class B shares, in accordance with the provisions of the bylaws. The Company has classified the financial liability recognised in connection with this in assets (*see Note 7.3*).

- Capital increases by issuing 77,011,861 ordinary Class A shares for the purpose of attending the payment of minimum annual dividend of non-voting Class B corresponding to year 2013 (EUR 0.175/per share) and the pro rata part of such dividend accrued in year 2014 up to the mandatory conversion of Class B shares into Class A shares (EUR 0.072/per share).

After the mandatory conversion of the non-voting Class B shares, the share capital of PRISA comprises only ordinary Class A shares.

*Exercise of Warrants 2010-*

Capital increases by issuing 4,490 ordinary Class A shares to attend the exercise of Prisa Warrants 2010, by virtue of the resolution passed at the Extraordinary Shareholders Meeting held on November 27, 2010, at an exercise price of 2 euros/share.

In June 2014 the period for the exercise of Prisa Warrants 2010 has ended, and has been formalized the extinction of all the warrants which had not been exercised.

*Exercise of Warrants 2013-*

Capital increases by issuing 315,420,657 ordinary Class A shares to attend the exercise of 202,291,577 of Prisa Warrants 2013, by virtue of the resolution passed at the Extraordinary Shareholders Meeting held on December 10, 2013.

*Mandatory Conversion of Bonds*
On July 7, 2014 and in order to meet the mandatory conversion of all the convertible bonds issued pursuant to a resolution of the Ordinary General Shareholders Meeting held on June 30, 2012, Prisa:

(i) issued 421,359,217 new ordinary Class A shares, whose total aggregate issue price amounts to €433,999,993.51, and

(ii) paid in cash a total aggregate amount of € 6.488.794 as consideration for the fractions resulting from the calculation of the relevant shares to be delivered to the holders of the Bonds.

*Share capital increase subscribed by Consorcio Transportista Occher, S.A. de C.V.-*

The Board of Directors of PRISA held on July 22, 2014 today has approved a capital increase for a total value of Euro 100,000,000 which corresponds to a total amount of the nominal value and share premium of Euro 0.53 per share. The share capital increase was subscribed by Consorcio Transportista Occher, S.A. de C.V. ("Occher") and fully disbursed by means of a capital contribution at the time of the subscription. The net amount was used for the repurchase of 133,133,000 euros of debt, with a discount of €0.25 per euro *(see Note 7.3).*

The capital increase was formalized through the issuance of a total of 188,679,245 Class A shares, of Euro 0.10 nominal value each with a share premium of Euro 0.43 per share and excluding the pre-emption right for subscription of shares.

Occher is a company related to Roberto Alcántara Rojas, director of Prisa and member of its delegated committee since February 24, 2014. Mr. Alcántara is signatory of Prisa shareholders' agreement published on April 28, 2014.

The share capital of Prisa at December 31, 2014, after the aforementioned capital increases and conversions of Class B shares into Class A shares, amounts EUR 215,807,875.30, represented by 2,158,078,753 Class A ordinary shares of EUR 0.1 par value each.

Share capital is fully subscribed and paid in.

On December 31, 2014, the significant shareholders of PRISA, according to information published in the CNMV are:

| | **Number of voting rights** | | |
|---|---|---|---|
| | **Direct** | **Indirect** | **% Voting Rights (i)** |
| Rucandio, S.A. (ii) | - | 411,895,327 | 19.09 |
| Nicolas Berggruen (iii) | 183,465 | 28,422,994 | 1.33 |
| Amber Capital LP (iv) | - | 64,703,441 | 3.00 |
| Fundación Bancaria Caixa D'Estalvis I Pensions de Barcelona (v) | - | 89,936,378 | 4.17 |
| Banco Santander, S.A. (vi) | 1,046,000 | 97,406,182 | 4.56 |
| HSBC Holdings PLC (vii) | - | 175,372,741 | 8.13 |
| Monarch Master Funding 2 (Luxembourg S.A.R.L.) | 70,136,667 | - | 3.25 |
| Telefónica, S.A. | 97,087,378 | - | 4.50 |
| Grupo Herradura de Occidente, S.A. de C.V. (viii) | - | 188,912,295 | 8.75 |
| Morgan Stanley (ix) | - | 88,279,312 | 4.09 |

(i) The percentages of voting rights, have been calculated on the total voting rights in Prisa at December 31, 2014 (ie, 2,158,078,753).

(ii) The indirect interest of Rucandio, S.A. is held through the following direct holdings:

- Promotora de Publicaciones, S.L., holds 77,248,921 voting rights.
- Timón, S.A., holds 7,928,140 voting rights.
- Asgard Inversiones, S.L.U., holds 27,662,101 voting rights.
- Otnas Inversiones, S.L., holds 93,000,000 voting rights.
- Rucandio Inversiones SICAV, S.A., holds 339,094 voting rights,.

Likewise, in the declared indirect interest of Rucandio, S.A. are included 205,717,071 voting rights of the Company subject to the Prisa Shareholders Agreement signed on April 24,2014 (in which Rucandio indirectly holds the majority of votes), and whose terms were communicated to the CNMV. Within those 205,717,071 voting rights that are bound by the Shareholders' Agreement of Prisa, are included 184,217,295 voting rights held by Grupo Herradura de Occidente, S.A. de CV.

(iii) The holder of the indirect interest of Nicolas Berggruen is held through BH Stores IV, B.V.

(iv)The holder of the indirect interest of Amber Capital LP, is Succinite XI Holdings II, S.A.R.L.

(v) The holder of the indirect interest of Fundación Bancaria Caixa D'Estalvis I Pensions de Barcelona is held through Caixabank, S.A.

(vi) The holder of the indirect interest of Banco Santander, S.A. is held through the following entities of Grupo Santander: Cántabra de Inversiones, S.A., Cántabro Catalana de Inversiones, S.A., Fomento e Inversiones, S.A., Títulos de Renta Fija, S.A., Carpe Diem Salud, S.L. and Suleyado 2003, S.L.

(vii) The holder of the indirect interest of HSBC Holdings PLC is held through HSBC Bank PLC.

(viii) The holder of the indirect interest of Grupo Herradura de Occidente, S.A. de CV is held through Consorcio Transportista Occher, S.A. de CV. Of those 188,912,295 voting rights, 184,217,295 are linked to Prisa Shareholders Agreement and 4,695,000 are excluded from that agreement.

(ix) The holder of the indirect interest of Morgan Stanley is held through the following entities of Grupo Morgan Stanley: Morgan Stanley &Co International PLC, Morgan Stanley Capital Services LLC and Morgan Stanley Smith Barney LLC.

**Share premium**

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

The amount of the issue premium reserve at December 31, 2014, and after having attended the commitments arising from the voluntary and mandatory conversions of non-voting Class B shares, is EUR 1,328,671 thousand (December 31, 2013: EUR 781,815 thousand).

**Issue of convertible bond**

A resolution was passed at the Ordinary Shareholders Meeting of Prisa held on June 30, 2012 to issue bonds mandatorily convertible into newly-issued Class A common shares with exclusion of pre-emption rights at a fixed conversion rate (1 share per EUR 1.03). This issue was carried out in July 2012 and entailed two tranches: Tranche A for EUR 334 million aimed at creditor banks via the cancellation of financial debt and Tranche B for EUR 100 million to be paid in cash by Telefónica, S.A.. The bond-share conversion was carried out on 7 July 2014, through the issuance of 421,359,217 new Class A ordinary shares.

The bond issue was treated as a compound financial instrument with a liability component, for the current guaranteed value of the coupon and a liability component, for the difference between the amount of the bond and the value allocated to the liability component. At 31 December 2014, the current guaranteed value of the coupon for bank lenders was recognised under *"Non-current bank borrowings"*, following payment of the portion to Telefónica *(see Note 7.3)*.

**Reserves**

*Revaluation reserve 1983-*

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

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

Under Royal Decree 2607/1996, of December 20, approving the regulations for asset revaluations pursuant to Royal Decree-Law 7/1996, of June 7, the surpluses arising from the revaluations must be charged to *"Revaluation reserve Royal Decree-Law 7/1996."* The balance of this account at year end amounts to EUR 10,650 thousand and has been unrestricted since January 1, 2007.

*Legal reserve-*

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

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

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

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

*Reserve for treasury shares-*

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

The balance of this account at year end amounts to EUR 3,116 thousand.

*Bylaw-stipulated reserves-*

Under Article 32 of the Company's bylaws, at least 10% of the profit after tax must be transferred to a reserve each year until the balance of this reserve reaches at least 20% and does not exceed 50% of the paid-in share capital.
The balance of this account at year end amounts to EUR 11,885 thousand.

**Treasury shares**

The changes in *"Treasury shares"* in 2014 and 2013 were as follows:

| | Thousands of euros | | | |
|---|---|---|---|---|
| | 2014 | | 2013 | |
| | Number of shares | Amount | Number of shares | Amount |
| **At beginning of year** | **1,294,062** | **518** | **3,101,235** | **727** |
| Purchases | 16,161,860 | 4,935 | 500,000 | 121 |
| Deliveries | (5,379,256) | (2,500) | (2,307,173) | (1,619) |
| Reserve for treasury shares | - | 163 | - | 1,289 |
| **At end of year** | **12,076,666** | **3,116** | **1,294,062** | **518** |

At December 31, 2014, Promotora de Informaciones, S.A. held a total of 12,076,666 treasury shares, representing 0.560% of its share capital.

Treasury shares are valued at market price at December 31, 2014 (0.258 euros per share). The average acquisition price stood at 0. 315 euros per share.

Their total cost is EUR 3,116 thousand with a gross unit cost of EUR 0. 258.

At December 31, 2014, the Company did not hold any shares on loan.

**Capital management policy**

The main objective of the Group's capital management policy is to have an appropriate capital structure that ensures business sustainability, aligning shareholders' interests with those of the financial creditors.

In the last few years, the Group has devoted considerable efforts to maintaining its equity level such as increasing capital by converting 75 million warrants in January 2012, issuing, also in 2012, EUR 434 million in bonds obligatory converted into shares in July 2014 (*see Note 7.5*), replacing the obligation to pay the preferred dividend of class B shares in cash in order to pay this in shares, cash or a combination of both, or the share capital increase approved in July 2014 in the amount of EUR 100 million, with an issue premium of EUR 0.43 per share, for debt transactions with a discount. . Also in 2014 Prisa increased its share capital by issuing 315 million shares to attend the exercise of 202 million warrants issued within the framework of the refinancing bank debt agreement of 2013 (*see Notes 7.3 and 7.5*).

With the financial debt rollover signed in December 2013, the Group now has a financial liability structure that improves its liquidity profile, gives it greater flexibility in the debt reduction process and extends its maturities, aligns the debt with the Group's cash generation and enables it to have a coherent asset size *(see Note 7.3)*.

In 2014 the Group continued to shed debt by buying up debt at a discount using proceeds from the sale of 13.7% of the shares of Mediaset España (*see Notes 1c and 7.3*) and the aforementioned share capital increase. In June 2014 the Group also reached an agreement to sell 56% of its stake in DTS.

Additionally, the debt refinancing agreement establishes the objective to maintain the leverage and interest cover ratios within the levels undertaken with the banks.

## 8. TAX MATTERS

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

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

| | Thousands of Euros | |
|---|---|---|
| | **2014** | **2013** |
| **Sum of individual tax bases** | **109,171** | **89,211** |
| Consolidation adjustments | (91,225) | (129,852) |
| Offset of tax losses arising prior to inclusion in the Group | (7,778) | - |
| Offset of Group tax losses | (10,168) | - |
| **Consolidated taxable profit (tax loss)** | **-** | **(40,641)** |
| **Consolidated gross tax payable** | **-** | **(12,192)** |
| Double taxation tax credits generated | (2,185) | (7,917) |
| Investment tax credits | | (8,254) |
| **Net tax payable** | **-** | |
| Withholdings from tax group | **(204)** | **(104)** |
| **Income tax refundable** | **(204)** | **(104)** |

The consolidated tax group's taxable profit, prior to the offsetting of taxable losses, amounts to 17,946 thousand Euros, after making the consolidation adjustments for a negative amount of 91,225 thousand Euros. There has been offsetting of taxable losses for certain subsidiaries prior to entering the consolidated tax group, for an amount of 7,778 thousand Euros.

Once said offset has been completed, the group's remaining taxable profit for an amount of 10,168 thousand Euros, has been fully offset with the group's taxable losses on not operating the limitation to the offsetting of taxable losses outlined in article 2.second.two of Law 16/2013, due to including within the taxable profit/loss of the consolidated tax group for the financial year an amount arising from derecognising unrelated creditors for amounts exceeding the aforementioned 10,168 thousand Euros (see note 7.3).

The income tax refundable, which matches withholdings from the tax group, amounted to 204 thousand Euros at December 31, 2014 and is included under "Tax receivables" in the balance sheet.

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

The reconciliation of the income and expenses for the year to the taxable profit (tax profit/loss) used to calculate the income tax expense for 2014 and 2013 is as follows (in thousands of Euros):

| | 2014 | | | 2013 | | |
|---|---|---|---|---|---|---|
| | **Income statement** | **Items recognised in Equity with tax impact** | **Total** | **Income statement** | **Items recognised in Equity with tax impact** | **Total** |
| **Balance of income and expenses for the year from continue activities *** | **(118,791)** | **(2,533)** | **(121,324)** | **(82,205)** | **(854)** | **(83,059)** |
| Income tax | 1,019 | (1,086) | **(67)** | (52,848) | (366) | **(53,214)** |
| Adjustment of prior years' income tax | 13,769 | - | **13,769** | 28,656 | - | **28,656** |
| Derecognition of tax credits | 36,932 | - | **36,932** | - | - | **-** |
| Effect of the tax reform change of the tax rate | 31,064 | - | **31,064** | - | - | **-** |
| Individual permanent differences | 54,674 | - | **54,674** | 1,652 | - | **1,652** |
| Individual temporary differences | 54,541 | - | **54,541** | 141,604 | - | **141,604** |
| Permanent differences on consolidation | (40) | - | **(40)** | - | - | **-** |
| Temporary differences on consolidation | - | - | **-** | (3,915) | - | **(3,915)** |
| **Taxable profit** | **73,168** | **(3,619)** | **69,549** | **32,944** | **(1,220)** | **31,724** |

* Discontinued operations do not have tax effect as it is a non deductible investment valuation provision, according to the Corporate Income Tax Regulation (see Note 7.1 and 7.2)

The permanent differences mainly originate from, (i) the differing accounting and tax treatments of the expense arising from investment valuation provisions and contingency provisions, (ii) the exemption of dividends from a foreign source to which article 21 of the revised text of the Corporation Tax Law is applicable, (iii) the expenses that are not tax deducible, (iv) the annual tax effect corresponding to the tax merger difference arising from the merger operation of the companies Promotora de Informaciones, S.A. and Prisa Televisión, S.A.U., by application of Article 89.3 of the same legal text (merger by takeover described in the Report corresponding to the financial year in which the operation was completed), (v) the contributions made to non-profit organisations and, (vi) the limitation of the deductibility of the expense for depreciation/amortisation outlined in article 7 of Law 16/2012, of 27 December, through which different tax measures were adopted, aimed at consolidating the public finances and boosting economic activity.

The temporary differences mainly originate from, (i) the differing accounting and tax treatments of the expense arising from other provisions, (ii) the limitation of the deductibility of the financial expenses outlined in article 20 of the cited Income Tax Law, and (iii) the differing accounting and tax recognition criteria resulting from the derecognitions described in note 7.3 of the Report, under the terms established by article 19.14 of the Revised Text of the Corporation Tax Law.

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

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

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

| | 2014 | | | 2013 | | |
|---|---|---|---|---|---|---|
| | **Income statement** | **Items recognised in Equity with tax impact** | **Total** | **Income statement** | **Items recognised in Equity with tax impact** | **Total** |
| **Accounting profit (loss) before tax from continue activities** | **(36,007)** | **(3,619)** | **(39,626)** | **(106,397)** | **(1,220)** | **(107,617)** |
| Rate of 30% | (10,802) | (1,086) | **(11,888)** | (31,919) | (366) | **(32,285)** |
| Individual permanent differences and permanent differences on consolidation | 16,390 | - | 16,390 | 496 | - | 496 |
| Impact of temporary differences | 16,362 | - | 16,362 | 41,307 | - | 41,307 |
| Double taxation tax credits | (4,569) | - | (4,569) | (21,425) | - | (21,425) |
| Current income tax | **17,381** | **(1,086)** | **16,295** | **(11,541)** | **(366)** | **(11,907)** |
| Deferred income tax | **(16,362)** | **-** | **(16,362)** | **(41,307)** | **-** | **(41,307)** |
| Adjustment of prior years' income tax | **13,769** | **-** | **13,769** | **28,656** | **-** | **28,656** |
| Loss of tax credits | **36,932** | **-** | **36,932** | **-** | **-** | **-** |
| Effect of the tax reform change of the tax rate | **31,064** | **-** | **31,064** | **-** | **-** | **-** |
| Total income tax | **82,784** | **(1,086)** | **(81,698)** | **(24,192)** | **(366)** | **(24,558)** |

The Company has generated deductions to avoid double taxation on internal dividends, at an amount of 4,569 Euros.

The entity Prisa TV, S.A.U. (A Company taken over by Promotora de Informaciones, S.A.), in the 2011, 2012 and 2013 financial years, availed itself of the deduction for the reinvestment of extraordinary income for the amount of 41,662, 25,786 and 16,127 thousand Euros, respectively, complying with the requirement to reinvest the sale price, through the acquisition of property, plant and equipment, intangible assets and financial assets, under the terms established in the regulations, in each of the years mentioned.

**Tax receivables and tax payables**

The detail of the balances with Tax Receivables at 31 of December of 2014 is as follows (in thousands of Euros):

| | Receivable | | Payable | |
|---|---|---|---|---|
| | Current | Non-current | Current | Non-current |
| Income tax refundable/payable | 430 | - | - | - |
| Deferred tax assets arising from unused tax credits | - | 97,267 | - | - |
| Deferred tax assets arising from negative tax losses upon tax consolidation | - | 118,195 | - | - |
| Deferred tax assets arising from temporary differences | - | 127,596 | - | - |
| Deferred tax liabilities | - | - | - | 32,214 |
| VAT, personal income tax withholdings, social security taxes and other | 102 | - | 605 | - |
| **Total** | **532** | **343,058** | **605** | **32,214** |

The detail of the balances with Tax Authorities at 31 of December of 2013 is as follows (in thousands of Euros):

| | Receivable | | Payable | |
|---|---|---|---|---|
| | Current | Non-current | Current | Non-current |
| Income tax refundable/payable | 104 | - | - | - |
| Deferred tax assets arising from unused tax credits | - | 156,419 | - | - |
| Deferred tax assets arising from negative tax losses upon tax consolidation | - | 146,298 | - | - |
| Deferred tax assets arising from temporary differences | - | 107,427 | - | - |
| Deferred tax liabilities | - | - | - | - |
| VAT, personal income tax withholdings, social security taxes and other | 8,031 | - | 12,517 | - |
| **Total** | **8,135** | **410,144** | **12,517** | **-** |

**Deferred tax assets and liabilities**

*Deferred tax assets-*

The pending long-term credit vis-à-vis the Tax Authorities for an amount of 343,058 thousand Euros at 31 December 2014, recorded under "*Deferred tax assets*" corresponds mainly, (i) to the amount of the deductions for double taxation and investments (other than export tax credit) generated by the tax group and not applied when calculating the tax, (ii) the Consolidated Tax Group's taxable losses corresponding to the 2011, 2012 and 2013 financial years, (iii) the tax credit arising from the limitation of the deductibility of financial expenses, in accordance with the provisions of article 20 of the Revised Text of the Corporation Tax Law, in the part corresponding to the Company and, (iv) similarly, the amount of certain tax assessments issued by the tax authorities, which are still the subject of an administrative, or where appropriate, judicial procedure, that the Company has not guaranteed but rather paid.

As a result of modifying the tax rate for Corporate Income Tax, approved by Law 27/2014, of 27 November, on Corporate Income Tax, which reduces it to 28% for the 2015 financial year and to 25% for the 2016 financial year and later, the company, as parent of the Consolidated Tax Group, has proceeded to recognise the deferred tax assets and liabilities in its balance sheet at the tax rate at which they are expected to be recovered or cancelled.

This recognition has generated in the Company a reduction in the Deferred Tax Assets due to (i) credits arising from taxable losses of the tax group 2/91, of which it is parent Company, amounting to 23,639 thousand Euros, (ii) credits for double taxation of dividends from the tax group pending application and generated during financial year 2014 for an amount of 8,260 thousand Euros, (iii) credit for non tax deductible financial expenses pending to be applied and generated by the Company during financial year 2014 amounting to 15,850 thousand Euros and (iv) other deferred tax assets for 266 thousands Euros.

The Company has recorded, in its income statement, the impact of this measure, as a greater corporate income tax expense, at an amount of 32,875 thousand Euros, for the deferred tax assets that were generated by the entity itself and that affect its individual annual accounts. At the same time, the remaining subsidiaries belonging to the consolidated tax group have adopted the same criteria and have proceed to record, in their income statements, the effect of legally modifying the deferred tax assets affected by the reform that had been generated and are pending application.

Just as in the case of Deferred Tax Assets, the Company has recognised the balance of the Deferred Tax Liability, at the tax rate in force at the time it is expected to be cancelled, which has resulted in the recognition of an amount of 1,811 thousand Euros in the income statements and 623 thousand Euros in equity.

The detail of the Tax Group's taxable losses (all recognised in the Company's assets) is as follows:

| Year of generation | Amount (thousands of Euros) |
|---|---|
| 2011 | 129,523 |
| 2012 | 287,748 |
| 2013 | 55,509 |

As a result of the new tax rate and the modification to the rules that affect the application of tax deductions, measures introduced by the aforementioned reform of the Corporation Tax Law approved by Law 27/2014, of 27 November, the Company has proceeded, once performed the recovery analysis according to the accounting regulation, to derecognise, for accounting purposes from its balance sheet (not for tax purposes), the credits corresponding to deductions for investments for a total amount of 52,888 thousand Euros in the tax group. The impact of this measure has generated a greater tax expense in the Company's income statement for an amount of 36,932 thousand Euros, and in the remaining companies of the PRISA consolidated tax group, of 15,956 thousand Euros.

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

| Year of statute of limitation | **ACTIVATED** | **NON-ACTIVATED** |
|---|---|---|
| | Amount (Thousands of Euros) | Amount (Thousands of Euros) |
| 2016 | 61 | - |
| 2017 | 179 | 43 |
| 2018 | - | 25 |
| 2019 | - | 45 |
| 2020 | - | 2,624 |
| 2021 | - | 1,332 |
| 2022 | 348 | 6,693 |
| 2023 | 5,215 | 1,244 |
| 2024 | 5,575 | 2,487 |
| 2025 | 14,750 | 31,613 |
| 2026 | 5,485 | 5,682 |
| 2027 | 860 | 558 |
| 2028 | 7,163 | 542 |
| 2029 | 4,242 | - |
| 2030 | 4,390 | - |
| 2031 | 1,631 | - |
| No Limits | 47,368 | - |
| **TOTAL** | **97,267** | **52,888** |

*Deferred tax liabilities-*

The Deferred Tax Liability corresponds to two concepts, firstly (i) it includes the different accounting and tax recognition criteria for the financial income resulting from the derecognitions described in note 7.3 of the Report for an amount of 23,490 thousand Euros and secondly, (ii) it includes the different accounting and tax treatment of the recognition in equity of the adjustment to fair value (listed price) of the share in Mediaset explained in note 7.1 of the Report for an amount of 8,724 thousand Euros.

**Years open to examination by the tax authorities**

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

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

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

Against the settlements arising from the execution, by the Tax Authorities, of the partially upheld sentences from the Supreme Court, relating to the 1999 financial year (for an amount of 5,736 thousand Euros), the 2000 financial year (7,461 thousand Euros) and the decree of denial corresponding to the 2001 financial year (17,069 thousand Euros), the Company filed the corresponding appeals and claims. On the date of formulating the annual accounts, the decisions rejecting these claims had been received from the TEAC, which is why the company has proceeded to create in the financial year a provision amounting to 15,001 thousand Euros, which corresponds mainly to the interest arising from the proceeding. However, the Company will proceed to file the corresponding appeals for judicial review before the National High Court. The settlements are stayed and guaranteed.

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

The tax audit relating to VAT from June 2004 to December 2006 concluded with the issuance of a Notice signed on a contested basis amounting to 5,416 thousand Euros, against which an appeal to the Board of Tax Appeals was filed before the TEAC which partially upheld the Group's position and against which the Company filed an appeal for judicial review before the National High Court, and on the date of formulating these annual accounts a decision has not yet been handed down. The tax liability arising from this Notice, despite being appealed, was satisfied, and was recognised as a long-term credit vis-à-vis the Revenue Authorities. During the financial year, the Tax Authority has executed the resolution partially upholding the Group's position, which has led to the Company receiving a refund of 704 thousand Euros.

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

With regards to VAT for the period from June 2007 to December 2008, the tax audits concluded during the 2013 financial year with the issuance of two Notices, one for 539 thousand Euros, and the other for 4,430 thousand Euros, have both been the subject of appeal to the Board of Tax Appeals before the TEAC and a decision has not yet been handed down. Even though the relevant appeals have been filed, the tax liability arising from these Notices has been satisfied during the financial year and was recognised as a credit vis à vis the Revenue Authorities.

In 2011 tax audits commenced for taxes relating to raffles, betting and random combinations for 2007 to 2010, at Prisa Televisión, S.A.U. (company taken over by Promotora de Informaciones, S.A.), which concluded with the issuance of a Notice signed on a contested basis from which a determination of 8,570 thousand Euros arose (tax plus interest), against which the Company filed an appeal to the Board of Tax Appeals against the TEAC. During the financial year, a resolution partially upholding the Group's position has been issued by the Court, against which the Company has filed an appeal for judicial review before the National High Court, and on the date of formulating these annual accounts a decision has not yet been handed down. Even though the relevant appeals were filed, the tax liability arising from this Notice was satisfied and recognised as a credit vis à vis the Revenue Authorities.

During the financial year, the partial tax audit relating to the personal income tax withholdings practised on the redundancy payments made in the 2009 to 2011 financial years were concluded, without any adjustment arising for the Company.

During the financial year, tax audit has begun on the tax consolidation group 2/91, whose parent is Promotora de Informaciones, for the Corporate Income Tax corresponding to the 2009 to 2011 financial years. This tax audit also includes VAT, personal income tax withholdings and repayments (employees and professionals) and non-resident income tax withholdings corresponding to the period from May 2010 to December 2011.

The Company, in previous financial years, appraising the existence of two Supreme Court decisions (those relating to the 1999 and 2000 financial years), which admit the criteria of the revenue authorities regarding the adjustment of the tax credits for export activities, and to the extent that virtually the entire tax credit for export activities mentioned above was also questioned during the tax audit of the tax Group relating to income tax for 2003-2005 and in the tax audit for the 2006-2008 period, proceeded to adjust the entire tax credit generated in the Tax Group by that concept. At the date of authorisation for issue of the financial statements, the full amount of the tax credits for export activities generated by the consolidated tax group and queried in the tax audit was either derecognised or a provision was recognised in relation thereto.

The tax provision *(see note 10)* includes an amount of 42,852 thousand Euros for the export tax credit applied in previous financial years, and an additional amount of 33,106 thousand Euros (of which, 15,001 thousand Euros has been recognised in the financial year) to cover unfavourable rulings upheld during the various tax proceedings described above.

The Company has all years since 2012 open to examination for all State taxes. Additionally, the Company has the last four years open to examination for all non-state taxes. No additional material liabilities are expected to arise for the Company as a result of the current or possible future tax audits.

**Transactions under the special regime**

The disclosures required by Article 93 of the Spanish Corporation Tax Law, approved by Legislative Royal Decree 4/2004, of 5 March, relating to corporate restructuring transactions under the special regime for mergers and spin-offs of Chapter VIII of Title VII of the aforementioned legislation, are included in the notes to the financial statements of the years in which these transactions took place.

## 9.- INCOME AND EXPENSE

### Employees

The detail of "*Employee benefits costs*" in the income statements for 2014 and 2013 is as follows (thousands of euros):

| | 2014 | 2013 |
|---|---|---|
| Employer social security costs | *1,286* | *1,228* |
| Other employee benefit costs | *251* | *272* |
| **Total** | ***1,537*** | ***1,500*** |

The average number of employees in 2014 was 103 and 2013 was 100, all of whom had a permanent employment contract. The detail, by gender and professional category, is as follows:

| | 2014 | | 2013 | |
|---|---|---|---|---|
| | **Men** | **Women** | **Men** | **Women** |
| Executives | 19 | 6 | 19 | 7 |
| Middle management | 13 | 11 | 14 | 10 |
| Qualified line personnel | 12 | 28 | 10 | 25 |
| Other | 2 | 12 | 3 | 12 |
| **Total** | **46** | **57** | **46** | **54** |

The number of employees at December 31, 2014 was 102 and at December 31, 2013 was 99, all of whom had a permanent employment contract. The detail, by gender and professional category, is as follows:

| | 2014 | | 2013 | |
|---|---|---|---|---|
| | **Men** | **Women** | **Men** | **Women** |
| Executives | 21 | 5 | 18 | 7 |
| Middle management | 11 | 11 | 14 | 11 |
| Qualified line personnel | 12 | 29 | 11 | 25 |
| Other | 1 | 12 | 3 | 10 |
| **Total** | **45** | **57** | **46** | **53** |

**Fees paid to auditors**

The fees for financial audit services relating to the 2014 financial statements of the various companies composing the Prisa Group and subsidiaries provided by Deloitte, S.L. and by other entities related to the auditor amounted to EUR 1,775 thousand (2012: EUR 2,432 thousand), of which EUR 180 thousand relate to Prisa (2013: EUR: 448 thousand). Also, the fees relating to other auditors involved in the 2014 audit of the various Group companies amounted to EUR 269 thousand (2013: EUR 269 thousand).

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

| | **Amount (thousands of euros)** | | | |
|---|---|---|---|---|
| | **2014** | | **2013** | |
| | **Principal auditor** | **Other audit firms** | **Principal auditor** | **Other audit firms** |
| Other verification services | 539 | 162 | 250 | 296 |
| Tax advisory services | 461 | 108 | 527 | 209 |
| Other services | 395 | 348 | 163 | 2,623 |
| **Other professional services** | **1,395** | **618** | **940** | **3,128** |

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

| | Amount (thousands of euros) | |
|---|---|---|
| | 2014 | 2013 |
| Other verification services | 291 | 212 |
| Tax advisory services | 146 | 112 |
| Other services | 204 | - |
| **Other professional services** | **641** | **324** |

## 10.- PROVISIONS AND CONTINGENCIES

The changes in "*Provisions and contingencies*" in 2014 are as follows (in thousands of euros):

| | Balance at 12/31/2013 | Additions | Disposals | Balance at 12/31/2014 |
|---|---|---|---|---|
| Provision for taxes- | 60,957 | 15,001 | - | 75,958 |
| Provisions for third-party liability- | 290,503 | 30,724 | (12,108) | 309,119 |
| **Total cost** | **351,460** | **45,725** | **(12,108)** | **385,077** |

In relation to the *"Provision for taxes", c*harge for year 2014 correspond to interests related to income tax for 1999, 2000 and 2001 procedures, as the Central Economic-Administrative Tribunal (TEAC) dismissed the appeal before the authorization for issuance of the consolidated financial statements for 2014 (*see Note 8*).

The additions to "*Provision for third-party liability*" relate mainly to increases in provisions established to cover the negative equity of Prisaprint, S.L. and Prisa Digital, S.L at year-end 2014. The derecognitions correspond mainly to the application of the provision recognised in 2010 to cover certain risks and possible restructuring expenses at associates. These provisions were recognized under "*Impairment of financial instruments*" on the 2014 income statement.

## 11.- SHARE-BASED PAYMENTS

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

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

When the choice of director is partial payment in shares of PRISA, they are delivered quarterly. Prisa has recognized an expense for this item on the income statement for 2014 in the amount of EUR 242 thousand.The 591,485 shares accrued in this category over that period have not yet been fully delivered.

In July 2014 Prisa delivered 143,237 shares, in partial payment of the fixed compensation of external directors for the fourth quarter of 2013. The corresponding expense was entered in the profit and loss account for 2013.

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

In May 2014 the inside director Mr. Fernando Abril-Martorell Hernández received 937,857 shares of Prisa, in settlement of the annual variable compensation for 2013. The corresponding expense was entered in the profit and loss account for 2013.

The delivery of shares to certain members of the management team as a part of their variable compensation for 2014 was also approved. The amount thereof is provisioned in the attached profit and loss account.

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

- The Extraordinary General Shareholders' Meeting held on November 27, 2010, approved a system of compensation (the "2010-2013 Share/Stock Options Delivery Plan") consisting of the delivery of shares and/or share options of the Company to the directors and managers in the Prisa Group, during the years 2010, 2011, 2012 y 2013.

  Under that authorisation, the Nominating and Compensation Committee approved payment of the long term incentive for the 2011/2013 period of certain executives of companies in the Prisa Group (two of which, Mr. Manuel Polanco Moreno and Mr. Jose Luis Sainz Díaz, are inside directors of the Company), by way of delivery of shares of the Company. In 2014 the Company delivered 4,009,306 shares in this category.

  Likewise the Company will settle, in 2015, the long-term incentive for the period 2012/2014 to certain executives of companies of Grupo Prisa (one of whom, Mr Jose Luis Sainz Diaz, is executive director of the Company), by delivering Company shares. In 2014, the Company recorded an expense of EUR 218 thousand for this item.

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

  Prisa entered an expense and the amount of EUR 723 thousand in the profit and loss account for 2014. Calculation of the long term incentive (long term incentive, or "ILP") and payment in cash and delivery of shares will occur in 2017, on the terms and conditions established, on proposal of the Nominating and Compensation Committee, by the Board of Directors, which will determine the specific date of delivery of the shares and payment of the cash amount.

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

- o In the profit and loss account for 2014 there is an expense in the amount of EUR 250 thousand, in the category of variable multiyear incentive of the Executive Chairman, Mr. Juan Luis Cebrián Echarri. It will be payable in shares of Prisa, in January 2016, subject to certain conditions (*see Note 15*).

- o Pursuant to the terms of his contract with the Company, the inside director Mr. Jose Luis Sainz will be entitled to receive a multi-year variable incentive, payable in shares of PRISA, subject to fulfilment of the strategic plans of the Company and his personal performance, for the 2014-2016 and 2017-2018 periods. In the profit and loss account for 2014 there is an expense in the amount of EUR 167 thousand in this category (*see Note 15*).

**12.- GUARANTEE COMMITMENTS TO THIRD PARTIES**

At December 31, 2014, Prisa had furnished bank guarantees amounting to EUR 38,306 thousand mainly in relation to the tax assessments issued by the tax authorities that were signed on a contested basis (*see Note 8*).

On 27 July 2014, Prisa reduced the amount of the first-call guarantee granted on 15 June 2011 in favour of Cisco Systems Capital Spain, S.L. to a maximum amount of USD 17,500 thousand. The amount was reduced by Prisa in connection with reduction of the amount of the revolving lease contract from USD 80,000 thousand to USD 40,000 thousand, drawn up between DTS, Distribuidora de Televisión Digital, S.A. and Cisco Systems Capital Spain, S.L. in connection with the lease, development and rental of advanced television-signal decoders for Canal+ and termination of the credit agreement drawn up by the same parties.

To enforce the guarantee, it shall suffice for Cisco Systems Capital Spain, S.L. to inform Prisa that a breach has taken place and to indicate the amount owed, in which event Prisa undertakes to pay the amount requested within 15 calendar days. The maximum amount guaranteed may be claimed either in whole or in part and on one or more occasions and, if the case should arise, the maximum amount will be reduced in accordance with the payments that have been made, and the guarantee on the amount pending shall remain in effect.

The guarantee is irrevocable and it is furnished in a non-specific manner and irrespective of the legal relationship between Cisco Systems Capital Spain, S.L. and DTS Distribuidora de Televisión Digital, S.A.; hence, it shall be payable upon a simple request, when the first written demand is received, with no need to evidence a prior claim or to bring any action against DTS Distribuidora de Televisión Digital, S.A. The guarantee shall remain in force until the complete discharge of the obligations covered by it. The amount guaranteed by Prisa at December 31, 2014 was EUR 13,462 thousand.

The guarantee shall be extended and shall cover any extension or broadening of or amendment to the aforementioned guaranteed contracts, and there shall be no need to notify Prisa of such extensions, broadening or amendments.

The Company's directors consider that the possible effect of the guarantees provided on the accompanying consolidated income statements would in no case be material.

## 13.- FUTURE COMMITMENTS

By virtue of an agreement entered into with Indra on December 23, 2009, Prisa assumed payment commitments totaling EUR 267,225 thousand. In 2012, the scope of the project changed, affecting the Latin America and Spain service, and certain criteria for the invoicing of services were modified, while the straight-line in arrears model was replaced with a consumption-based model. As a result of these changes, the amount of the future commitments initially agreed on has also changed.

The amount corresponding to services rendered from 2010 to 2014 stood at EUR 139,020 thousand. A breakdown of the estimated future new commitments for the remainder of the contract is given below:

| Year | Thousands of euros |
|---|---|
| 2015 | 29,124 |
| 2016 | 28,013 |
| 2017 | 29,596 |
| | **86,733** |

Additionally, from 2013 and until the end of the agreement, the service billing model will be changed. Indra will directly bill each business unit for the expenses associate with the services rendered, and each business unit will undertake the payment of the quantities billed. Prisa will consider the service used like another business unit.

*Past-due payments to creditors-*

Creditors who are paid after the maximum legal period are national creditors (excluding suppliers of non-current financial assets) with whom contracts have been signed for periods over the maximum 60-day period in 2014.

At December 31, 2014, trade payables over 60 days past due for the Spanish Group companies amounted to EUR 1,034 thousand. (trade payables at December 31, 2013 over 60 days past due amounted to EUR 4,009 thousand).

The detail of payments made in 2013 and 2014 is as follows:

| | 2014 | | 2013 | |
|---|---|---|---|---|
| | Thousands of euros | % | Thousands of euros | % |
| Past-due more than 60 days in 2013 and 2014 | 2,210 | 8% | 20,896 | 28% |
| Others | 25,750 | 92% | 53,933 | 72% |
| **Total payments** | **27,960** | **100%** | **74,829** | 100% |
| Weighted Average Number of Days Past-Due (DSO) | **19** | | **62** | |

## 14.- RELATED PARTY TRANSACTIONS

The transactions performed with Group companies, associates and related parties in 2014 and 2013 are as follows in thousands of euros:

| | 12/31/2014 | | 12/31/2013 | |
|---|---|---|---|---|
| | Group companies or entities | Significant shareholders | Group companies or entities | Significant shareholders |
| Receivables | 6,480 | 15 | 6,143 | 14 |
| Financial credits | 477,766 | 25,000 | 625,609 | - |
| Total receivable accounts | **484,246** | **25,015** | **631,752** | **14** |
| Trade payables | 105 | 1,119 | 135 | - |
| Financial loans | 943,703 | 837,357 | 409,118 | - |
| Total payable accounts | **943,808** | **838,473** | **409,253** | **-** |

The transactions performed with Group companies, associates and related parties in 2014 and 2013 are as follows in thousands of euros:

| | 12/21/2014 | | | 12/31/2013 | |
|---|---|---|---|---|---|
| | Directors and executives | Group companies or entities | Significant shareholders | Directors and executives | Group employees, companies or entities |
| Services received | - | 7.044 | 31,965 | - | 11,034 |
| Finance expenses | - | 1,243 | 3,090 | - | 1,887 |
| Other expenses | 17,810 | - | - | 11,931 | - |
| **Total expenses** | **17,810** | **8,288** | **35,056** | **11,931** | **12,921** |
| Finance income | - | 9,424 | 314 | - | 9,500 |
| Dividends received | - | 18,231 | - | - | 76,417 |
| Other income | - | 14,572 | 47 | - | 17,129 |
| **Total revenues** | **-** | **42,226** | **361** | **-** | **103,046** |

All related party transactions have taken place under market conditions.

The aggregate amount of EUR 17,701 thousand relates to the accrued salaries of directors *(see Note 15)* and executives.

*Remuneration of senior executives-*

The total aggregate compensation of members of senior management in 2014, of Promotora de Informaciones, S.A. and other companies in the Group amounts to EUR 4,682 thousand (EUR 6,209 thousand euros in 2013) and will be paid in the short term.

The aggregate compensation of the managers is the compensation of members of senior management, that being understood to be the members of the Business Management Committee that are not executive directors and have an employment relationship with Prisa and other companies in the Group and, furthermore, the internal audit manager of Promotora de Informaciones, S.A. Specifically, it is that of the following executives: Mr. Javier Lázaro, Mr. Fernando Martinez Albacete, Mr. Miguel Angel Cayuela Sebastián, Mr. Antonio García-Mon, Ms. Bárbara Manrique de Lara, Mr. Pedro García Guillén, Mr. Andrés Cardó Soria, Mr. Manuel Mirat Santiago, Ms. Rosa Cullel and Ms. Virginia Fernández.

Is also included within the total compensation of senior management that corresponding to Mr. José Luis Sainz until he was appointed as an executive director of PRISA (July 22, 2014). Regarding the compensation of Mr. Manuel Mirat Santiago, the compensation after his appointment as Managing Director of PRISA Noticias (September 2014) is included.

The compensation of the executives (EUR 4,682 thousand) is the accounting reflection of the overall compensation of executives and and therefore do not match with the remuneration accrued in 2014 that is included in the Annual Report of Corporate Governance in which is followed the accrual basis criteria (and not an accounting provision basis) as required by the CNMV. This compensation includes, inter alia:

i) The theoretical annual variable compensation of executives if management objectives are achieved. However, since this compensation is subject to achievement of the management objectives at the end of the year, the accounting figure in no way constitutes acknowledgment that that variable compensation has accrued, which will occur, if at all, once the year is closed and the annual accounts of the Group are prepared, based on the level of achievement of the established objectives.

ii) the accounting adjustment made after the settlement, in 2014, of the long-term variable remuneration for the cycle I (period 2011/2013) of ILP 2011.

iii) the accounting provision of long-term variable remuneration corresponding to the cycle II (period 2012/2014) of ILP approved in 2011, which will be settled in shares in 2015.

iv) the accounting provision of long-term variable ILP approved by the Ordinary Shareholders' Meeting held on April 28, 2014, to be settled in the year 2017 into common shares of the Company and cash.

*Transactions between Group companies,* associates and related *parties-*

Income from services rendered corresponds basically to central corporate services.

The detail, by company, of the dividend income paid by Group companies in 2014 and 2013 is as follows in thousands of euros:

| | 2014 | 2013 |
|---|---|---|
| Grupo Santillana de Ediciones, S.L. | 15,000 | 56,927 |
| Prisa Radio, S.L. | - | 14,457 |
| Vertix, S.G.P.S. | 3,000 | 5,000 |
| Canal Club, S.A. | 231 | 33 |
| **Total** | **18,231** | **76,417** |

*Transactions between with significant shareholders -*

The aggregate amount of EUR 35,056 thousand mainly consists of expenditure on telephony and Internet by Prisa Group companies with Telefónica, S.A., and interest accruing on credits granted by major shareholders to Prisa.

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

| | 12/31/2014 | | |
|---|---|---|---|
| | Significant shareholders | Group employees, companies or entities | Other related parties |
| Financing agreements: loans received | 837,354 | - | - |
| Financing agreements: capital contributions | 456,217 | - | - |
| Sale of financial assets | 719,086 | | |
| Guarantees provided *(see Note 12)* | 8,378 | - | - |
| Dividends and other distributed profits | - | - | - |
| Other transactions | 25,721 | - | - |

*Transactions with significant shareholders-*

The aggregate amount of EUR 837,354 thousand is mainly accounted for by the loans granted by Banco Santander, S.A., Caixabank, S.A., HSBC Holding, PLC and Morgan Stanley to Promotora de Informaciones, S.A. in the amount of EUR 836,633 thousand (*see Note 7.3*).

The aggregate amount of EUR 456,217 thousand includes the capital contributions of Banco Santander, S.A., Caixabank, S.A., HSBC Holding, PLC and Monarch Master Funding 2 (Luxembourg SARL) arising from the mandatory bond conversion, and the share capital increase subscribed by Occher *(see Note 7.5)*.

Finally, the aggregate amount of EUR 719,086 thousand includes the estimated selling price of 56% of DTS in the agreement signed with Telefónica de Contenidos, S.A. *(see Note 7.2)*.

## 15.- REMUNERATION AND OTHER BENEFITS OF DIRECTORS

In 2014 and 2013 the remuneration earned by the members of the Board was as follows:

| | Thousands of euros | |
|---|---|---|
| **Type of remuneration** | **2014** | **2013** |
| Fixed remuneration | 1,687 | 1,799 |
| Variable remuneration | 3,547 | 2,108 |
| Attendance fees | 485 | 465 |
| Bylaw-stipulated directors' emoluments | 1,247 | 1,299 |
| Share options and/or other financial instruments | - | - |
| Other | 6,162 | 51 |
| **Total** | **13,128** | **5,722** |

Regarding the 2014 financial year:

i) The overall compensation of the Board of Directors includes:

- The compensation of Mr. Nicolás Berggruen until his resignation as a director, in March 2014;
- The compensation of Mr. Roberto Alcántara and Mr. John Paton from the time of their appointment as directors, in February 2014;
- The compensation of Mr. Fernando Abril-Martorell as executive director until September 30, 2014 and as an external director from that date and;
- The compensation of Mr. Jose Luis Sainz Díaz as an inside director from October, 1, 2014 (effective date of his appointment as CEO of PRISA). The compensation of Mr. Jose Luis Sainz Díaz from July 22, 2014 (date of his appointment as director of PRISA) until September 30, 2014, has been included in the Notes to the Consolidated Financial Statements, being a salary received by the Director from other companies of the Group. The remuneration received by Mr. Sainz until July 22, 2014 is included in the overall remuneration of the members of the senior management of PRISA Group.

ii) The amounts reflected in the table above correspond to the accounting provisions made in the income statement and therefore do not match, in some respects, with the remuneration of 2014 that is included in the Annual Remuneration Report of the Directors, in which is followed the accrual basis (and not an accounting provision basis) as required by the CNMV in the "Circular 4/2013 of the CNMV, whereby the model of annual report remuneration of directors is established" and in the Annual Report on Corporate Governance.

The differences are given by the following:

- Annual variable compensation (bonus): the table above includes the reflection of the amount corresponding to theoretical annual variable compensation of the directors if management objectives are achieved. However, since this compensation is subject to achievement of the management objectives at the end of the year, the accounting figure in no way constitutes acknowledgment that that variable compensation has accrued, which will occur, if at all, once the year is closed and the annual accounts of the Group are prepared, based on the level of achievement of the established objectives.

- Long-term variable remuneration of the executive director Mr. Jose Luis Sainz payable in shares of PRISA, subject to compliance with the strategic plans of the Company and their personal performance for the periods 2014-2016. In the income statement for the year 2014 is recorded an expense amounting to 167 thousand euros (*see Note 11*) and is not declared in the Report on Remuneration of Directors, within the remuneration accrued in the year 2014.

- Accounting expense amounting to 250 thousand euros as variable multiyear incentive of the CEO, Juan Luis Cebrian Echarri, which will be payable in shares of Prisa, in January 2016, subject to certain conditions (*see Note 11*). This amount is not declared in the Annual Report on Remuneration of Directors, within the remuneration accrued in the year 2014.

- The Executive Chairman, Mr. Juan Luis Cebrián Echarri, is entitled, from 2014, to an annual contribution of 1,200 thousand of euros, as retirement bonus, which will be delivered to Mr. Cebrián in full at the end of his contract (31 December 2018), and will be vested even in the event of early termination of the contract. The Company has entered a provision covering the total amount of the retirement bonus (6,000 thousand of euros) since it has been accrued in full. This amount is not declared in the Annual Remuneration Report of the Directors, within the remuneration accrued in the year 2014.

- Accounting expense amounting to 75 thousand of euros as Long-term variable remuneration (long-term incentive) authorized by the Annual Shareholders' Meeting held on April 28, 2014, of the executive director Mr. Manuel Polanco Moreno, to be settled in the year 2017 depending on achievement of the established objectives. This amount is not declared in the Annual Report on Remuneration of Directors, within the remuneration accrued in the year 2014.

iii) No other credits, advances or loans occurred, nor were pension obligations incurred, in respect of the Board of Directors during 2014.

## 16.- INFORMATION REGARDING CONFLICT OF INTEREST SITUATIONS OF DIRECTORS

For purposes of article 229 of the Capital Companies Act it is noted that, as at the end of 2014, the Board of Directors had not been advised of direct or indirect conflict situations that directors or persons related thereto (in accordance with article 231 of the aforesaid Act) might have had with the interests of the Company.

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

| Director | Activity | Person related to the Director | Activity |
|---|---|---|---|
| **Juan Luis Cebrián Echarri** | Director of the following companies: Le Monde, Le Monde Libre and Societe Editrice Du Monde. | Daughter | Advice and consulting activities on audiovisual and entertainment matters. |
| **Gregorio Marañón** | Chairman of Universal Music Spain, S.L. | | |
| **Arianna Huffington** | Chairman and Director of "The Huffington Post Media Group".<br>0.01% interest in the share capital of AOL Inc. | | |
| **John Paton** | CEO of Digital First Media and Director of Guardian Media Group. | | |
| **Jose Luis Leal Maldonado** | 0.05% interest in the share capital of Punto y Seguido, S.A. | | |
| **Alain Minc** | Director of Caixabank, S.A. (significant shareholder of PRISA and one of the PRISA creditor banking institutions with which the Company's refinancing was signed). | Son | Editor of "Version Femina", "Paris Match" and "Journal du Dimanche" (published by Lagardére Group). |
| **Claudio Boada** | *Senior Advisor* of HSBC in Spain and Portugal (significant shareholder of PRISA and one of the PRISA creditor banking institutions with which the Company's refinancing was signed). | | |

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

## 17.- LITIGATION AND ONGOING CLAIMS

With respect to the litigation in which Prisa Televisión, S.A.U. ("Prisa TV"; currently Prisa[1]) has been involved with various cable operators (Auna, Telecable Asturias, Tenaria, Euskaltel, R Telecomunicaciones de Galicia and R Telecomunicaciones de Coruña), all related to the outcome of different arbitration claims filed by these operators before the former Telecommunications Market Commission ("*Comisión del Mercado de las Telecomunicaciones*" (CMT)), claiming the right to receive an offer enabling them to commercialize various channels, which at the time were supplied by Sogecable, S.A. (which subsequently became Prisa TV and is currently Prisa) to its subscribers, Prisa reached various transactional agreements, with which it has put an end to its litigation with these cable operators. As regards R Telecomunicaciones de Coruña, Prisa TV paid the amount xxx by the Court and reached a transactional agreement in relation with the settlement of the court costs, and regarding Telecable Asturias, the Provincial Appellate Court of Madrid set the firmness of the order delivered on 7 November 2013 that partly upheld Prisa's appeal and reduced the indemnification amount to 1,184,500€.

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

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

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

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

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

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[1] All references to Prisa TV will be deemed as made to Prisa; on 31 July 2013 the public deed of merger by absorption between Prisa (as absorbing company) and Prisa TV (as absorbed company) was recorded at the Commercial Registry of Madrid. As a result of the merger, Prisa TV has been wound up without liquidation and a block transfer of its entire assets has been made to Prisa under universal succession. Consequently, Prisa has subrogated the position that Prisa TV would respectively hold in any such claims, proceedings, suits or litigation.

of 24 July 2006". In compliance with the said order, AVS submitted to the Court a guarantee for the sum of €50 million to secure compliance with its contractual obligations. The order of 8 October 2007 was revoked by the Provincial Court of Madrid in July 2008, and the above mentioned guarantee remains at the disposal of the Court of First Instance until the end of the proceedings for the settlement of damages, which are subject to the final resolution of the main proceedings.

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

Mediapro appealed against this judgment (*recurso de apelación*), and AVS requested its provisional enforcement on 9 June 2010. In an order issued on 21 June 2010, the Court dispatched the enforcement requested, although the enforcement was suspended following the application and subsequent declaration of Mediapro's bankruptcy, which is being dealt with by Barcelona Commercial Court number 7 (bankruptcy number 490/2010).

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

AVS filed an appeal to the highest instance (The Supreme Court) and alleging a procedural infringement against the said judgment. The Supreme Court, in its judgment dated 9 January 2015, partially admits the first argument of the Meadiapro appeal for procedural infringement and condemns Mediapro to pay AVS €32 million plus interests. The judgment enters into the question not solved in the Provincial Court of Madrid in relation to the claim of nullity of the clause fifth of the Agreement dated 24 July 2006. The Supreme Court declares that the ruling of the *Audiencia Nacional* dated 22 May 2013, which is firm and confirms the Ruling of the CNC dated 14 April 2010 that declares the nullity of the t clause fifth of the Agreement dated 24 July 2006, is contrary to article 1 of the LDC. The consequence is the entire nullity of the Agreement. Moreover, the ruling extends the effects of such nullity to the clause fifth of the Agreement, since all clauses of the agreement tried to restring the competition.

In the context of the bankruptcy, AVS filed a new claim against Mediapro before Barcelona Commercial Court no. 7, claiming €97 million for damages not covered in the judgment of 15 March 2010.

The said proceedings are currently suspended as a result of the Commercial Court Judge holding, in an order dated 22 September 2010 and appealed against by AVS, that they were subject to a preliminary ruling on civil matters. The Provincial Court has confirmed the Court's ruling, and the proceedings will therefore remain suspended until the preliminary matter has been resolved.

AVS also brought other incidental claims in the bankruptcy proceedings, which have been dismissed in a number of different rulings.

On 15 July 2011 Barcelona Commercial Court no. 7 approved Mediapro's advanced agreement proposal (consisting of a wait of 35 months to collect the bankrupt company's debts, without any debt reduction).

AVS brought an incidental claim opposing the court's approval of the agreement (bankruptcy proceedings incident no. 521/2011). On 23 December 2011 Barcelona Commercial Court no. 7 issued a ruling dismissing AVS' objection, confirming the approval of the advanced agreement proposal, cancelling the effects of the bankruptcy, and setting 23 April 2012 as the effective date of the agreement.

AVS filed an appeal (*recurso de apelación*) against the judgment of Barcelona Commercial Court no. 7, which was dismissed by the Provincial Court of Barcelona in its ruling of 17 December 2014.

In addition, the Provincial Court of Barcelona, in a ruling dated 14 January 2013, dismissed AVS' appeal, confirming that Imagin''s credit was an ordinary credit (Mediapro is a guarantor of Imagina in that syndicated loan). This classification allowed Mediapro to reach the necessary majority for the approval of its advanced agreement proposal. The Provincial Court of Barcelona's judgment of 14 January 2013 has been appealed against to the highest instance (*recurso de casación*), and the Supreme Court has not yet ruled on it.

However, in an order dated 30 September 2013, the Provincial Court of Barcelona overturned a ruling of Barcelona Commercial Court no. 7 and granted AVS the interim measures requested by way of security for up to €230 million in relation to a number of standby loans, without requiring AVS to provide its own bond.

This means that, at the end of the 35 months' waiting period stipulated in the approved agreement, Mediapro must either pay that amount into Barcelona Commercial Court no. 7's allocations account or guarantee its payment by providing a bank guarantee, all this as the contingency affecting AVS' loans disappears, and the end result of the amount deposited or guaranteed will then be subject to the outcome of the various lawsuits. Mediapro filed a motion for dismissal of the proceedings on the grounds of invalidity in relation to the order issued by the Provincial Court of Barcelona on 30 September 2013, a request that was expressly rejected in an order issued on 18 December 2013 by the aforementioned Provincial Court.

On 15 September 2014 Mediapro filed a new incidental claim in the bankruptcy proceedings requesting the lifting or, alternatively, the modification, of the interim measures granted by the Provincial Court of Barcelona in its order of 30 September 2013. This motion is being dealt with by Barcelona Commercial Court no. 7, which has set 16 January 2015 as the date for the hearing in relation to this motion.

On the other hand, the contract for the sale of shares concluded between the member Televisió de Catalunya Multimedia, S.L., Televisió de Catalunya, S.A., Prisa and AVS on 15 October 2009 also provided for the abandonment of all ongoing court cases in which any of these companies or their legal representatives were parties as defendants. At present, the said contract is still awaiting the authorisation of the *Generalitat de Catalunya* Government, as its effectiveness was made subject to such authorisation.

Grupo Godó de Comunicación, S.A., holding 18.37% of Prisa Radio, S.A. ("Prisa Radio"), and Mr. Javier Godó Muntañola (vice chairman of SER) and Mr. Carlos Godó Valls, external proprietary director of Prisa Radio, have filed a claim to challenge the resolutions adopted on 5 and 18 December 2013 by the Board of Prisa Radio, regarding renewal of the personal guarantee granted by the company in relation to the agreements to restructure and extend Prisa's financial debt, which were formalised in a public deed on 11 December 2013 by Prisa and all of its banks and creditor financial institutions. Once the claim has been replied and the preliminary hearing held, the Commercial Court No. 4 of Madrid, who has been entrusted with the procedure, has scheduled the trial on April 15, 2015.

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

**18.- EVEN AFTER THE REPORTIN PERIOD**

In February 2015, Prisa announced the reduction of its stake in Mediaset below 3%. Part of the proceeds from these sales has been used to buy back a portion of its financial debt at a discount. This has been done by way of a Dutch auction process, aimed at its creditor banks, at an average discount of 25%.

The Board of Directors of PRISA held on February 27, 2015 has approved a capital increase for a total value of Euro 74,999,999.49, with an issue price (nominal value and share premium) of of Euro 0.53 per share. The share capital increase will be subscribed by International Media Group ("International Media Group") and fully disbursed by means of a capital contribution at the time of the subscription.

The capital increase will be formalized through the issuance of a total of 141,509,433 Class A shares, of Euro 0.10 nominal value each with a share premium of Euro 0.43 per share and excluding the pre-emption right for subscription of shares. This price represents a premium of 104 percent, approximately, on the average weighted price of the shares of PRISA during the last three months.

International Media Group Ltd. is a company fully owned by Sultan Ghanim Alhodaifi Al-Kuwari.

The capital increase is subject to (i) the obtaining of the obligatory report from the accounts auditor appointed by the Commercial Registry on the fair value of the shares, the book value ("valor teórico") of the pre-emption right for subscription of shares proposed to be excluded and the reasonableness of the data contained in the directors' report drafted for these purposes, and (ii) the completion of a legal and finance due diligence.

## 19.- DETAILS OF THE ABSORPTION IN 2013

On February 27, 2013, the Board of Directors approved the absorption of Prisa Televisión, S.A.U. and this was converted into a public deed on July 31, 2013. The merger's accounting effects began on January 1, 2013.

As a result of the merger, the balance sheet at December 31, 2013, includes the effects of the assets and liabilities of the aforementioned company.

To comply with the requirements envisaged in article 93 of Royal Legislative Decree 4/2004, which approves the Corporation Tax Act, the following information is provided:

1) A list of the transferred assets which can be depreciated and amortized (in euros).

| Absorbed company | Fixed asset | Acquisition date | Account | Acquisition value | Accumulated depreciation/amortization |
|---|---|---|---|---|---|
| Prisa Televisión, S.A.U. | Sublicencia uso a favor DTS | 04.05.2011 | Concessions, patents and other | 4 | (2) |
| Prisa Televisión, S.A.U. | 2001 contract. 10% of all rights | 03.01.2001 | Audiovisual rights | 39,065 | (37,893) |
| Prisa Televisión, S.A.U. | Signs of the Tres Cantos building and others | 04.01.2011 | Other facilities | 211 | (22) |

2) Last balance sheet closed by the transferring company.

**PRISA TELEVISION, S.A.U.**

**BALANCE SHEETS AT 31 DECEMBER 2012 AND 31 DECEMBER 2011**

*(in thousands of euros)*

| ASSETS | Balance at 12/31/2012 | Balance at 12/31/2011 |
|---|---|---|
| **NON CURRENT ASSETS-** | | |
| Intangible Assets | 1,174 | 4,392 |
| *Industrial Property* | *3* | *3* |
| *Audiovisual Rights* | *1,171* | *4,389* |
| Property, Plant and Equipment | 189 | 20 |
| *Others fixtures* | *189* | *20* |
| Non-current investments in Group companies and associates | 1,279,011 | 1,292,215 |
| *Equity instruments (Group companies)* | *686,669* | *699,873* |
| *Equity instruments (associates companies)* | *592,022* | *592,022* |
| *Loans to associates* | *320* | *320* |
| Deferred Tax Assets | 143 | 143 |
| **NON CURRENT ASSETS** | **1,280,517** | **1,296,770** |
| **CURRENT ASSETS-** | | |
| Trade and Other Receivables- | 93,530 | 152,009 |
| *Trade receivables for services* | *3* | - |
| *Receivable from Group companies* | *57,811* | *82,215* |
| *Receivable from associates companies and partners* | *24,657* | 19,068 |
| *Other receivables* | *11,059* | *50,726* |
| Cash and cash equivalents | 259 | 104 |
| Current prepayments and accrued income | 6 | 0 |
| **CURRENT ASSETS** | **93,795** | **152,113** |
| **TOTAL ASSETS** | **1,374,312** | **1,448,883** |

| EQUITY AND LIABILITIES | Balance at 12/31/2012 | Balance at 12/31/2011 |
|---|---|---|
| **EQUITY-** | | |
| Share capital | 275,723 | 275,723 |
| Share premium | 829,884 | 829,884 |
| Reserves- | 1,055,334 | 1,149,820 |
| *Legal reserves* | *55,145* | *55,145* |
| *Other reserves* | *1,000,189* | *1,094,675* |
| Loss from previous years | (872,291) | (969,785) |
| Profit (loss) for the year | 33,646 | 97,494 |
| **TOTAL SHAREHOLDERS' EQUITY** | **1,322,296** | **1,383,136** |
| Grants received | | |
| Adjustments for changes in value | | |
| **TOTAL EQUITY** | **1,322,296** | **1,383,136** |
| **NON-CURRENT LIABILITIES-** | | |
| Bank borrowings | 6 | 15 |
| Long-term provisions | 493 | 0 |
| **TOTAL NON-CURRENT LIABILITIES** | **499** | **15** |
| **CURRENT LIABILITIES-** | | |
| Bank borrowings | 36,911 | 35,251 |
| Current payables to Group companies and associates | 3,244 | 9,050 |
| Payable to suppliers | 9,060 | 18,026 |
| Other payables | 1,729 | 2,843 |
| Current accruals and deferred income | 575 | 562 |
| **TOTAL CURRENT LIABILITIES** | **51,517** | **65,732** |
| **TOTAL EQUITY AND LIABILITIES** | **1,374,312** | **1,448,883** |

3) A list of the acquired assets that have been included in the accounting books with a different value than the one they had at the transferring company before the merger,

stating both values and the depreciation and amortization reserve and the impairment adjustments in both companies' accounting books.

| | Value incorporated in the accounting books of the acquiring entity | | Value in the accounting books of transferring company | |
|---|---|---|---|---|
| **Acquired Assets** | Cost | Impairment | Cost | Impairment |
| DTS, Distribuidora de Televisión Digital, S.A. | 2,027,362 | - | 650,701 | - |
| Mediaset España Comunicación, S.A. | 589,149 | - | 589,883 | - |

4) A list of the tax benefits enjoyed by the transferor, with respect to which the acquirer must comply with certain requirements, is shown in the tax section of these Notes (*see Note 8*).

## 20.- EXPLANATION ADDED FOR TRANSLATION TO ENGLISH

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

## DIRECT HOLDINGS

*APPENDIX I*

| GROUP COMPANIES | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | 12/31/14 (In thousands of euros) | | | | | | | | |
| INVESTEE | REGISTERED OFFICE | LINE OF BUSINESS | CARRYING AMOUNT | % OF OWNERSHIP | SHARE CAPITAL | RESERVES | INTERIM DIVIDEND | PROFIT (LOSS) | EBIT | TAX GROUP (**) |
| Audiovisual Sport, S.L | Calle Diagonal, 477. Barcelona | Management and distribution of audiovisual rights | 5,789 | 80.00% | 6,220 | 37,612 | - | (36,596) | (45,633) | 2/91 |
| Canal Club de Distribución de Ocio y Cultura, S.A. | Calle Hermosilla, 112. Madrid | Catalogue sales | 78 | 25.00% | 60 | 12 | - | 241 | 241 | |
| Diario El País México, S.A de C.V. (*) | Avenida Universidad 767. Colonia del Valle. México D.F. México | Operation of El País newspaper in Mexico | 14 | 5.81% | 6,057 | (4,829) | - | (1,079) | (1,108) | |
| Grupo Santillana de Ediciones, S.L. | Av. de los Artesanos, 6 Tres Cantos. MADRID | Publishing | 65,826 | 75.00% | 12,018 | (61,131) | (15,000) | 26,744 | (21,978) | 2/91 |
| Liberty Acquisition Holdings Virginia Inc | Gran Vía, 32. Madrid | Holding company | 649,540 | 100.00% | n.d. | n.d. | n.d. | n.d. | n.d. | |
| Prisa Brand Solutions, S.L.U. | Valentín Beato, 48. Madrid | Contracting of advertising exclusives | 10,294 | 100.00% | 150 | 9,765 | - | 144 | 70 | 2/91 |
| Prisa Digital, S.L. (*) | Gran Vía, 32 - Madrid | Internet services | (56,491) | 100.00% | 1,918 | (37,024) | | (20,639) | (14,882) | 2/91 |
| Prisa División Inmobiliaria, S.L. (*) | Gran Vía, 32 - Madrid | Lease of commercial and industrial premises | 62,802 | 100.00% | 9,000 | 55,387 | - | (1,585) | (1,572) | 2/91 |
| Prisa División Internacional, S.L. (*In liquidation*) | Gran Vía, 32 - Madrid | Holdings in foreign companies | 166,922 | 100.00% | 10,000 | 152,897 | - | 4,025 | (7) | 2/91 |
| Prisa Finance (Netherlands) BV | Gran Vía, 32 - Madrid | | 14 | 100.00% | 18 | (4) | - | - | - | |
| Prisa Gestión de Servicios, S.L. | Gran Vía, 32. Madrid | Management and development of administrative, | 3 | 100.00% | 3 | - | - | - | - | 2/91 |
| Prisa Noticias, S.L. | Gran Vía, 32. Madrid | Holding company | 53,542 | 100.00% | 96,126 | (19,167) | | (38,363) | (373) | 2/91 |
| Prisa Radio, S.A. | Gran Vía, 32 - Madrid | Services to radio broadcasting companies | 109,929 | 73.49% | 2,036 | 150,830 | - | (8,654) | (10,370) | 194/09 |
| Prisaprint, S.L. (*) | Gran Vía, 32 - Madrid | Management of printing companies | (223,055) | 100.00% | 3,000 | 227,016 | - | (6,957) | (1) | 2/91 |
| Promotora Audiovisual de Colombia PACSA, S.A. | Calle 70. Nº 4-60. 11001. Bogotá. Colombia | Audiovisual and communication activities | 94 | 53.00% | 177 | - | - | - | - | |
| Promotora de Actividades América, 2010, S.L. (*) | Gran Vía, 32 - Madrid | Production and organization of activities marking the bicentenary of American independence | (1,764) | 100.00% | 10 | (1,452) | - | (322) | (10) | 2/91 |
| Promotora de Actividades Audiovisuales de Colombia, Ltda. (*) | Calle 80, 10 23 . Bogotá. Colombia | Production and distribution of audiovisual content | - | 1.00% | 420 | (351) | - | - | - | |
| Promotora de Emisoras de Televisión, S.L. (*) | Gran Vía, 32 - Madrid | Operation of television channels | (7,778) | 25.00% | 19,061 | (14,614) | - | (4,447) | (3,047) | 2/91 |
| Promotora de Emisoras, S.L | Gran Vía, 32 - Madrid | Radio broadcasting services | (19,998) | 100.00% | 2,500 | (1,502) | - | (998) | (1,535) | 2/91 |
| Promotora General de Revistas, S.A. | Valentín Beato, 48. Madrid | Publication production and operation of magazines | - | 0.04% | 1,500 | (370) | | (427) | 73 | 2/91 |
| Vertix, SGPS, S.A | Rua de las Amoreiras, 107. Lisboa. Portugal | Holding company | 385,711 | 100.00% | 268,041 | 73,490 | | 11,196 | 6,216 | |
| DTS, Distribuidora de Televisión Digital, S.A. | Avenida de los Artesanos, 6. Tres Cantos. Madrid | Television services | 719,086 | 56.00% | 126,286 | 708,834 | - | (333,880) | (69,397) | 136/11 |
| Mediaset España Comunicación, S.A. | Carretera de Fuencarral a Alcobendas. 4. 28049. Madrid | Gestión indirecta del servicio público de televisión | 155,544 | 3.66% | 60 | 12 | | 241 | 241 | |
| V-Me Media Inc. | 450 West 33rd Street, 11th Floor. New York, NY 10001 . EE.UU. | Television broadcasting services | - | 3.90% | - | - | - | - | - | |
| **Total** | | | **2,076,102** | | | | | | | |

(*) 100% total ownership

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

(**) Consolidated tax group DTS Distribuidora de Televisión Digital , S.A.: 136/11

**COMPANIES INCLUDED IN THE SCOPE OF CONSOLIDATION: DECEMBER 2014**

*APPENDIX II*

| COMPANY | REGISTERED OFFICE | LINE OF BUSINESS | 12/31/14 (In thousands of euros) | | | | |
|---|---|---|---|---|---|---|---|
| | | | PERCENTAGE OF OWNERSHIP | TAX GROUP (*) | SHARE CAPITAL | SHAREHOLDERS' EQUITY | EBIT |
| **DTS** | | | | | | | |
| Centro de Asistencia Telefónica, S.A. | Campezo,1. Madrid | Provision of services | 56.00% | 136/11 | 3,077 | 4,048 | (367) |
| Compañía Independiente de Televisión, S.L. | Avenida de los Artesanos, 6. Tres Cantos. Madrid | Management and explotation of audiovisual rights | 56.00% | 136/11 | 601 | 51,803 | 2,982 |
| Cinemanía, S.L. | Avenida de los Artesanos, 6. Tres Cantos. Madrid | Operation of thematic television channels | 56.00% | 136/11 | 601 | 5,105 | (2) |

(*) Consolidated tax group DTS Distribuidora de Televisión Digital , S.A.: 136/11

COMPANIES INCLUDED IN THE SCOPE OF CONSOLIDATION: DECEMBER 2014

*APPENDIX II*

| COMPANY | REGISTERED OFFICE | LINE OF BUSINESS | 12/31/14 (In thousands of euros) PERCENTAGE OF OWNERSHIP | TAX GROUP (*) | SHARE CAPITAL | SHAREHOLDERS' EQUITY | EBIT |
|---|---|---|---|---|---|---|---|
| **TELEVISIONES LOCALES** | | | | | | | |
| Axarquía Visión, S.A.U. | Paseo de Reding, 7. Málaga | Provision of local television services | 87.24% | 2/91 | 60 | - | - |
| Canal 4 Navarra, S.L.U. | Avenida Sancho el Fuerte, 18. Pamplona | Production and broadcasting of videos and TV programmes | 100.00% | 2/91 | 2,809 | - | (410) |
| Collserola Audiovisual, S.L. (*In liquidation*) | Plaza Narcis Oller. Nº 6 1º. 1ª. 08006. Barcelona | Provision of local television services | 92.50% | 2/91 | 85 | - | - |
| Málaga Altavisión, S.A. | Paseo de Reding, 7. Málaga | Production and broadcasting of videos and TV programmes | 87.24% | 2/91 | 3,465 | - | (70) |
| Marbella Digital Televisión, S.A.U. | Paseo de Reding, 7. Málaga | Provision of local television services | 87.24% | 2/91 | 174 | - | - |
| Productora Asturiana de Televisión, S.A. | Asturias, 19. Oviedo | Provision of local television services | 59.99% | | 1,112 | - | - |
| Productora Audiovisual de Badajoz, S.A. | Ramón Albarrán, 2. Badajoz | Provision of local television services | 61.45% | | 498 | - | - |
| Productora Extremeña de Televisión, S.A. | J. M. R. "Azorín". Edificio Zeus. Polígono La Corchera. Mérida. Badajoz | Provision of local television services | 66.00% | | 1,202 | - | - |
| Promoción de Actividades Audiovisuales en Canarias, S.A.U. | Avenida Anaga, 35. Santa Cruz de Tenerife | | 100.00% | 2/91 | 60 | - | - |
| Telecomunicaciones Antequera, S.A.U. | Aguardenteros, 15. Antequera. Málaga | Provision of local television services | 87.24% | 2/91 | 822 | - | - |
| TV Local Eivissa, S.L.U. | Avenida San Jordi s/n. Edificio Residencial. Ibiza | Provision of television services | 100.00% | 2/91 | 90 | - | - |
| Riotedisa, S.A. | Avenida de Portugal, 12. Logroño | Audiovisual productions for TV | 49.00% | | 1,202 | - | (12) |

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

**COMPANIES INCLUDED IN THE SCOPE OF CONSOLIDATION: DECEMBER 2014**

*APPENDIX II*

| COMPANY | REGISTERED OFFICE | LINE OF BUSINESS | 12/31/14 (In thousands of euros) PERCENTAGE OF OWNERSHIP | TAX GROUP (*) | SHARE CAPITAL | SHAREHOLDERS' EQUITY | EBIT |
|---|---|---|---|---|---|---|---|
| **MEDIA CAPITAL** | | | | | | | |
| Argumentos para Audiovisual, Lda. (CASA DA CRIAÇAO) | Avenida Liberdade. Nº 144/156 - 6º Dto. 1250-146. Lisboa. Portugal | Creation, development, translation and adaptation of texts and ideas for television programmes, films, entertainment, advertising and theatre | 94.69% | | 20 | 115 | (35) |
| Drums Comunicações Sonoras, Unipessoal, LTDA. (DRUMS) | Rua Tenente Valadim, nº 181, Porto. Portugal | Radio broadcasting in the areas of programme production and transmission | 94.69% | | 5 | 16 | 1 |
| Emissoes de Radiodifusao, S.A. (RADIO REGIONAL DE LISBOA) | Rua Sampaio e Pina. 24/26. 1099-044. Lisboa. Portugal | Radio broadcasting | 94.69% | | 110 | 268 | 205 |
| Empresa de Meios Audiovisuais, Lda. (EMAV) | Quinta Do Olival Das Minas. Lote 9. Vialonga. 2625-577. Vialonga. Portugal | Purchase, sale and rental of audiovisual media (cameras, videos, special filming and lighting equipment, cranes, rails, etc. ) | 94.69% | | 50 | 1,817 | 1,181 |
| Empresa Portuguesa de Cenários, Lda. (EPC) | Quinta Do Olival Das Minas. Lote 9. Vialonga. 2625-577. Vialonga. | Design, construction and installation of decorating accessories | 94.69% | | 50 | 5 | 0 |
| Grupo Media Capital, SGPS, S. A. | Rua Mário Castlhano nº 40. Queluz de Baixo. Portugal | Holdings | 94.69% | | 89,584 | 83,932 | (155) |
| Leirimedia Produçoes e Publicidade, LDA | Avenida Dr.Fco. Sá Carneiro,Quinta da cascalheira,lote8 loja1 LEIRIA | | 94.69% | | 120 | | 50 |
| Media Capital Digital, S.A *(Previous Editora Multimédia, S.A.)* | Rua Mário Castelhano. Nº 40. 2734-502. Barcarena. Portugal | Publication, multimedia production, distribution, consultancy, sales (mail order, telephone and other) of goods and services as well as the acquisition, supply, preparation and dissemination of journalism by any means | 94.69% | | 55 | (1,955) | 200 |
| Media Capital Música e Entretenimento, S.A (MCME) | Rua Mário Castelhano. Nº 40. 2734-502. Barcarena. Portugal | Publication, graphic arts and the reproduction of recorded media: magazines, audio publication, video reproduction and the provision of services related to music, the radio, television, film, theatre and literary magazines | 94.69% | | 3,050 | 398 | (2) |
| Media Capital Produçoes, S.A. (MCP) | Rua Mário Castelhano. Nº 40. 2734-502. Barcarena. Portugal | Design, development, production, promotion, sale, acquisition, exploitation rights, recording, distribution and dissemination of audiovisual media | 94.69% | | 45,050 | 19,842 | 265 |
| Media Capital Produçoes - Investimentos, SGPS, S.A. | Rua Mário Castelhano. Nº 40. 2734-502. Barcarena. Portugal | | 94.69% | | 94,950 | 85,246 | (39) |
| Media Capital Rádios, S.A (MCR II) | Rua Mário Castelhano. Nº 40. 2734-502. Barcarena. Portugal | Provision of services in the areas of accounting and financial consultancy; performance of radio broadcasting activities in the areas of the production and transmission of radio programmes | 94.69% | | 192 | (12,203) | (5) |
| Media Global, SGPS, S.A. (MEGLO) | Rua Mário Castelhano. Nº 40. 2734-502. Barcarena. Portugal | Holdings | 94.69% | | 37,098 | 77,973 | (128) |
| Moliceiro, Comunicacao Social, S.A. | Rua Sampaio e Pina. 24/26. 1099-044. Lisboa. Portugal | Broadcastin activity | 94.69% | | 55 | 58 | 3 |
| Multimedia, S.A. (CLMC) | Rua de Santo Amaro à Estrela. Nº 17 A. 1249-028. Lisboa. Portugal | Distribution of film activities, video, radio, television, audiovisual and multimedia | 94.69% | | 100 | (10,735) | 79 |
| Penalva do Castelo FM Radiodifusao e Publicidade ,Lda. | Rua de Santo Ildefonso, nº 14 Penalva do Castelo - Portugal | Broadcasting in production areas and programs transmission | 94.69% | | 5 | | 8 |
| Plural Entertainment Canarias, S.L. | Dársena Pesquera. Edificio Plató del Atlántico. San Andrés 38180. | Production and distribution of audiovisual content | 94.69% | 2/91 | 75 | 30 | (57) |
| Plural Entertainment España, S.L. | Gran Vía, 32. Madrid | Production and distribution of audiovisual content | 94.69% | 2/91 | 6,000 | 26,914 | (1,936) |
| Plural Entertainment Inc. | 1680 Michigan Avenue. Suite 730. Miami Beach. EE.UU. | Production and distribution of audiovisual content | 94.69% | | 109 | (2,945) | (30) |
| Plural Entertainment Portugal, S.A. | R. José Falcao. 57 - 3º Dt. 1000-184. Lisboa. Portugal | Production of video and film, organisation of shows, rental of sound and lighting, advertising, sales and representation of registered videos | 94.69% | | 36,650 | 39,556 | (1,435) |
| Polimedia - Publicidade e Publicaçoes, Lda. | Quinta de Sao José Lote 2 3º Piso Loja 8 Vila Real | Broadcasting in production areas and programs transmission | 94.69% | | 5 | (90) | 29 |
| PRC Produçoes Radiofonicas de Coimbra,Lda. | Avenida Fernao de Magalhaes. Nº 153, 6. Andar Sala 15. Coimbra. | Cinema production, video and television programs | 94.69% | | 7 | (78) | 31 |
| Produçao de Eventos, Lda. (MEDIA CAPITAL ENTERTAINMENT) | Rua Mário Castelhano. Nº 40. 2734-502. Barcarena. Portugal | Publication, graphic art and reproduction of recorded media: magazines, audio publication, video reproduction; and provision of services related to music, radio, television, film, theatre and literary magazines | 94.69% | | 5 | (236) | (172) |

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

**COMPANIES INCLUDED IN THE SCOPE OF CONSOLIDATION: DECEMBER 2014**

*APPENDIX II*

| | | | 12/31/14 (In thousands of euros) | | | | |
|---|---|---|---|---|---|---|---|
| COMPANY | REGISTERED OFFICE | LINE OF BUSINESS | PERCENTAGE OF OWNERSHIP | TAX GROUP (*) | SHARE CAPITAL | SHAREHOLDERS' EQUITY | EBIT |
| **MEDIA CAPITAL** | | | | | | | |
| Producciones Audiovisuales, S.A. (NBP IBÉRICA) | Almagro 13. 1º Izquierda. 28010. Madrid | Inactive | 94.69% | | 60 | 21 | - |
| Produçoes Audiovisuais, S.A. (RADIO CIDADE) | Rua Sampaio e Pina. 24/26. 1099-044. Lisboa. Portugal | Radio broadcasting, production of audio or video advertising spots. Advertising, production and recording of discs. Development and production of radio programmes | 94.69% | | 100 | 158 | 249 |
| Projectos de Media e Publicidade Unipessoal, Lda. (PUPLIPARTNER) | Rua Mário Castelhano. Nº 40. 2734-502. Barcarena. Portugal | Design, preparation and performance of advertising projects (advisory services, promotion, supply, marketing and the distribution of media goods and services) | 94.69% | | 5 | (53) | (4) |
| R 2000 - Comunicaçao Social, Lda. | Praceta Pedro Escuro, 10 , 4º dt. Santarém | Radio broadcasting in the areas of programme production and transmission | 94.69% | | 20 | (4) | 20 |
| Radio Comercial, S.A. (COMERCIAL) | Rua Sampaio e Pina. 24/26. 1099-044. Lisboa. Portugal | Radio broadcasting in the areas of programme production and transmission | 94.69% | | 2,255 | 4,620 | 2,368 |
| Rádio Concelho de Cantanhede.Lda. | Avenida Fernao de Magalhaes. Nº 153, 6. Andar Sala 15. Coimbra. Portugal | Radio broadcasting in the areas of programme production and transmission | 71.02% | | 60 | 8 | 33 |
| Rádio Litoral Centro, Empresa de Radiodifusao, Lda. | Avenida Fernao de Magalhaes. Nº 153, 6. Andar Sala 15. Coimbra. Portugal | Radio broadcasting in the areas of programme production and transmission | 94.69% | | 5 | 26 | 4 |
| Rádio Manteigas Radiodifusão, Lda. | Rua Joaquim Pereira de Matos nº 78 1º Esq. Manteigas Portugal | Radio broadcasting in the areas of programme production and transmission | 94.69% | | 5 | (58) | 16 |
| Rádio Nacional - Emissoes de Radiodifusao, Unipessoal Lda. | Rua Capitao Tenente Oliveira e Carmo. 10-3. Quita Da Lomba. Barreiro. Portugal | Radio broadcasting in the areas of programme production and transmission | 94.69% | | 5 | 19 | 2 |
| Radiodifusão, Lda. (FLOR DO ÉTER) | Avenida Fernao de Magalhaes. Nº 153, 6. Andar Sala 15. Coimbra. Portugal | | 94.69% | | 5 | 30 | 4 |
| Rádio Sabugal - Radiodifusao e Publicidade ,Lda. | Rua Antonio José de Almeida nº 17 Sabugal Portugal | Radio broadcasting in the areas of programme production and transmission | 94.69% | | 5 | (34) | 20 |
| Rádio Voz de Alcanena, Lda. (RVA) | Praceta Pedro Escuro, 10 , 4º dt. Santarém. Portugal | Radio broadcasting in the areas of programme production and transmission | 94.69% | | 5 | 15 | 5 |
| RADIO XXI, Lda. (XXI) | Rua Sampaio e Pina. 24/26. 1099-044. Lisboa. Portugal | Advisory services, guidance services and operational assistance to public relations companies and organisations | 94.69% | | 5 | 23 | 219 |
| Serviços de Consultoria e Gestao, S.A. (MEDIA CAPITAL SERVIÇOS) | Rua Mário Castelhano. Nº 40. 2734-502. Barcarena. Portugal | Services, publication and sale of electronic goods and services | 94.69% | | 100 | 1,289 | 270 |
| Serviços de Internet, S.A. (IOL NEGÓCIOS) | Rua Tenente Valadim. Nº 181. 4100-479. Porto. Portugal | Production of multimedia, audiovisual and phonogram storage media | 94.69% | | 100 | 263 | (58) |
| SIRPA. Sociedad de Impresa Radio Paralelo, Lda. | Rua Sampaio e Pina. 24/26. 1099-044. Lisboa. Portugal | Broadcasting in production areas and programs transmission | 94.69% | | 25 | 284 | (233) |
| Sociedade de Produçao e Edição Audiovisual, Lda (FAROL) | Rua Mário Castelhano. Nº 40. 2734-502. Barcarena. Portugal | Production of multimedia, audiovisual and phonogram storage media | 94.69% | | 5 | (1,723) | (247) |
| Televisao Independente, S.A. (TVI) | Rua Mário Castelhano. Nº 40. 2734-502. Barcarena. Portugal | Performance of any TV-related activity such as the installation, management and operation of any TV channel or infrastructure | 94.69% | | 15,926 | 53,933 | 31,377 |
| Tesela Producciones Cinematográficas, S.L. | Gran Vía, 32. Madrid | Production and distribution of audiovisual content | 94.69% | 2/91 | 1,034 | 6,157 | (738) |
| Plural - Jempsa, S.L. | Gran Vía, 32. Madrid | Production and distribution of audiovisual content | 17.99% | | 700 | 259 | (218) |
| Plural Entertainment Brasil Produçao de Vídeo, Ltda. | Rua Padre Adelino. Nº 758, 3º andar, Quarta Parada. CEP 03303-904. | Inactive | 46.40% | | 74 | (386) | 0 |
| Productora Canaria de Programas, S.A. | Enrique Wolfson, 17. Santa Cruz de Tenerife | Development of a promotional TV channel for the Canary Islands | 37.88% | | 601 | 1,388 | 0 |
| Sociedad Canaria de Televisión Regional, S.A. | Avenida de Madrid s/n. Santa Cruz de Tenerife | Audiovisual productions for TV | 37.88% | | 1,510 | 1,857 | (130) |
| Chip Audiovisual, S.A. | Coso, 100 . Planta 3ª puerta 4-50001. Zaragoza | Audiovisual productions for TV | 7.10% | | 600 | 1,158 | 312 |
| Factoría Plural, S.L. | Calle Biarritz, 2. 50017 Zaragoza | Production and distribution of audiovisual content | 14.20% | | 175 | 2,250 | 1,104 |

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

COMPANIES INCLUDED IN THE SCOPE OF CONSOLIDATION: DECEMBER 2014

*APPENDIX II*

| COMPANY | REGISTERED OFFICE | LINE OF BUSINESS | 12/31/14 (In thousands of euros) PERCENT AGE OF | TAX GROUP (*) | SHARE CAPITAL | SHAREHOLDERS' EQUITY | EBIT |
|---|---|---|---|---|---|---|---|
| **PRISA EDUCACIÓN** | | | | | | | |
| Avalia Qualidade Educacional Ltda. | Rua Padre Adelino, 758. Belezinho. Sao Paulo. Brasil | Publishing | 71.95% | | 596 | 316 | 176 |
| Santillana Infantil y Juvenil, S.L. | Av. de los Artesanos, 6 Tres Cantos. Madrid | Publishing | 75.00% | 2/91 | 65 | 1,477 | 805 |
| Distribuidora y Editora Richmond, S.A. | Edificio Punto 99, Carrera 11ª Nº98-50 Oficina 501. Bogotá. Colombia | Publishing | 75.00% | | 113 | 466 | 442 |
| Ediciones Grazalema, S.L. | Rafael Beca Mateos, 3. Sevilla | Publishing | 75.00% | 2/91 | 60 | 128 | 14 |
| Ediciones Santillana Inc. | 1506 Roosevelt Avenue. Guaynabo. Puerto Rico | Publishing | 75.00% | | 1,065 | 9,203 | (25) |
| Ediciones Santillana, S.A. (Argentina) | Leandro N. Alem. 720. Buenos Aires. 1001. Argentina | Publishing | 75.00% | | 5,316 | 6,442 | 2,699 |
| Ediciones Santillana, S.A. (Uruguay) | Juan Manuel Blanes 1132 Montevideo Uruguay | Publishing | 75.00% | | 147 | 1,486 | 1,018 |
| Edicions Obradoiro, S.L. | Ruela de Entrecercos. 2 2º B. 15705. Santiago de Compostela | Publishing | 75.00% | 2/91 | 60 | 74 | 24 |
| Edicions Voramar, S.A. | Valencia, 44. 46210. Pincaya. Valencia | Publishing | 75.00% | 2/91 | 60 | 90 | 38 |
| Editora Pintangua, LTDA (*Previous Editora Altea, Ltda.* ) | Rua Urbano Santos. 755. Sala 4. Bairro Cumbica. Cidade de Guarulhos. Sao Paulo. Brasil | Publishing | 75.00% | | 31 | 58 | 67 |
| Editora Moderna Ltda. | Rua Padre Adelino, 758. Belezinho. Sao Paulo. Brasil | Publishing | 75.00% | | 21,915 | 38,644 | 35,424 |
| Editorial Nuevo México, S.A. de C.V. | Avenida Rio Mixcoac 274 Col Acacias. México DF. México | Publishing | 75.00% | | 97 | (931) | (103) |
| Editorial Santillana, S.A.S (Colombia) (*Previous Editorial Santillana, S.A* ) | Edificio Punto 99, Carrera 11ª Nº98-50 Oficina 501. Bogotá. Colombia | Publishing | 75.00% | | 1,676 | 4,780 | (1,644) |
| Editorial Santillana, S.A. (Guatemala) | 26 Avenida 2-20 zona 14 . Guatemala - Guatemala | Publishing | 75.00% | | 72 | 6,201 | 2,729 |
| Editorial Santillana, S.A. (Honduras) | Colonia Lomas de Tepeyac. Casa No. 1626, contiguo al Autobanco Cuscatlan. Boulevard | Publishing | 75.00% | | 20 | 2,369 | 744 |
| Editorial Santillana, S.A. (Rep. Dominicana) | Juan Sánchez Ramírez, 9. Gazcue. Santo Domingo. República Dominicana | Publishing | 75.00% | | 118 | 9,299 | 5,889 |
| Editorial Santillana, S.A. (Venezuela) | Avenida Rómulo Gallegos. Edificio Zulia 1º. Caracas. Venezuela | Publishing | 75.00% | | 8,310 | 25,342 | 7,896 |
| Editorial Santillana, S.A. de C.V. (El Salvador) | 3a. Calle Poniente Y 87 Avenida Norte, No. 311, colonia Escalon San Salvador | Publishing | 75.00% | | 18 | 4,932 | 1,934 |
| Editorial Santillana, S.A. de C.V. (México) | Avenida Rio Mixcoac 274 Col Acacias. México DF. México | Publishing | 75.00% | | 24,019 | 18,236 | 2,736 |
| Grup Promotor D'Ensenyement i Difussió en Catalá, S.L. | Frederic Mompou, 11. V. Olímpica. Barcelona | Publishing | 75.00% | 2/91 | 60 | 86 | 122 |
| Inevery DPS, S.L. | Av. de los Artesanos, 6 Tres Cantos. Madrid | Editorial, cultural, educational, leisure and entertainment services; and development and commercialization of educational content. | 75.00% | 2/91 | 250 | 507 | (299) |
| Ítaca, S.L. | Av. de los Artesanos, 6 Tres Cantos. Madrid | Book distribution | 75.00% | 2/91 | 408 | 1,041 | 348 |
| Lanza, S.A. de C.V. | Avenida Rio Mixcoac 274 Col Acacias. México DF. México | Creation, development and management of companies | 75.00% | | 13,038 | 15,088 | 27 |
| Richmond Educação, Ltda. | Rua Padre Adelino, 758. Belezinho. Sao Paulo. Brasil | Publishing | 75.00% | | 31 | 187 | 122 |
| Richmond Publishing, S.A. de C.V. | Avenida Rio Mixcoac 274 Col Acacias. México DF. México | Publishing | 75.00% | | 4 | 5,996 | 2,323 |
| Salamandra Editorial, Ltda. | Rua Urbano Santos 755, Sala 2- Sao Paulo. Brasil | Publishing | 75.00% | | 31 | 77 | 34 |
| Santillana, S.A. (Costa Rica) | La Uruca. 200 m Oeste de Aviación Civil. San José. Costa Rica | Publishing | 75.00% | | 465 | 2,493 | 1,641 |
| Santillana, S.A. (Ecuador) | Avenida Eloy Alfaro. N33-347 y 6 de Diciembre. Quito. Ecuador | Publishing | 75.00% | | 1,111 | 3,984 | 2,773 |
| Santillana, S.A. (Paraguay) | Avenida Venezuela. 276. Asunción. Paraguay | Publishing | 75.00% | | 162 | 1,130 | (249) |
| Santillana, S.A. (Perú) | Avenida Primavera 2160. Santiago de Surco. Lima. Perú | Publishing | 71.25% | | 3,275 | 6,324 | 2,177 |
| Santillana Canarias, S.L. | Urbanización El Mayorazgo. Parcela 14, 2-7B. Santa Cruz de Tenerife | Publishing | 75.00% | 2/91 | 60 | 60 | (0) |
| Santillana de Ediciones, S.A. (Bolivia) | Calle 13, Nº 8078. Zona de Calacoto. La Paz. Bolivia | Publishing | 75.00% | | 298 | 2,285 | 1,540 |
| Santillana del Pacífico, S.A. de Ediciones. | Avenida Andres Bello 2299 Oficina 1001-1002 Providencia. Santiago Chile | Publishing | 75.00% | | 427 | 8,881 | 5,503 |
| Santillana Ediciones Generales, S.L. | Av. de los Artesanos, 6 Tres Cantos. Madrid | Publishing | 75.00% | 2/91 | 2,276 | 14,081 | 36,081 |
| Santillana Editores, S.A. | Estrada da Outurela 118, 2795. Carnaxide Linda a Velha. Portugal | Publishing | 75.00% | | 1,250 | 1,088 | 536 |
| Santillana Educación, S.L. | Av. de los Artesanos, 6 Tres Cantos. Madrid | Publishing | 75.00% | 2/91 | 7,747 | 80,831 | 17,364 |
| Santillana Formación, S.L. | Av. de los Artesanos, 6 Tres Cantos. Madrid | Complementary educational services | 75.00% | 2/91 | 300 | 161 | (95) |
| Instituto Universitario de Posgrado, S.A. (*In liquidation* ) | Av. de los Artesanos, 6 Tres Cantos. Madrid | Publishing | 46.07% | | 165 | (787) | (0) |
| Santillana Sistemas Educativos, Ltda. (Colombia) | Edificio Punto 99, Carrera 11ª Nº98-50 Oficina 501. Bogotá. Colombia | Consultancy services for the obtainment of quality certification by schools | 75.00% | | 63 | (516) | (201) |
| Santillana Sistemas Educativos, S.L. | Av. de los Artesanos, 6 Tres Cantos. Madrid | Publishing | 75.00% | 2/91 | 220 | 28,642 | (119) |
| Santillana USA Publishing Co. Inc. | 2023 NW 84th Avenue. Doral. Florida. EE.UU. | Publishing | 75.00% | | 60,560 | (1,222) | (2,837) |
| Sistemas de Ensino Uno, Ltda. | Rua Padre Adelino, 758. Belezinho. Sao Paulo. Brasil | Publishing | 75.00% | | 15,660 | (493) | (870) |
| Sistemas Educativos de Enseñanza, S.A. de C.V. | Avenida Rio Mixcoac 274 Col Acacias. México DF. México | Publishing | 75.00% | | 13,133 | 2,603 | 3,409 |
| Zubia Editoriala, S.L. | Polígono Lezama Leguizamon. Calle 31. Etxebarri. Vizcaya | Publishing | 75.00% | 2/91 | 60 | 91 | 29 |

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

**COMPANIES INCLUDED IN THE SCOPE OF CONSOLIDATION: DECEMBER 2014**

*APPENDIX II*

| | | | 12/31/13 (In thousands of euros) | | | | |
|---|---|---|---|---|---|---|---|
| COMPANY | REGISTERED OFFICE | LINE OF BUSINESS | PERCENTAGE OF | TAX GROUP (*) | SHARE CAPITAL | SHAREHOLDERS' EQUITY | EBIT |
| **PRISA NOTICIAS** | | | | | | | |
| Espacio Digital Editorial, S.L. | Gran Vía, 32. Madrid | Edition and explotation of Huffinton Post digital for Spain | 100.00% | 2/91 | 8,501 | 17,651 | (80) |
| Prisa Eventos, S.L. | Gran Vía, 32. Madrid | Operation of press media | 100.00% | 2/91 | 3 | (89) | (129) |
| Kioskoymás, Sociedad Gestora de la Plataforma Tecnológica, S.L. | Juan Ignacio Luca de Tena, 7. Madrid | Publication and operation of newspapers, magazines in digital format | 50.00% | | 53 | (501) | (277) |
| Le Monde Libre Societé Comandité Simple | 17, Place de la Madeleine. París | | 20.00% | | 38 | 6,439 | (2,948) |
| Betmedia Soluciones, S.L. | Rua de Garrucha, 8, Santa Crua, 15179 A Coruña | Development, management and operation of websites , platforms and software to perform activities retated to the game | 25.00% | | 6 | 162 | 22 |
| **EL PAÍS** | | | | | | | |
| Agrupación de Servicios de Internet y Prensa, S.L. | Valentín Beato, 44. Madrid | Administrative, technological and legal services and the distribution of written and digital media | 100.00% | 2/91 | 1,726 | (4,846) | (9,671) |
| Diario El País, S.L. | Miguel Yuste, 40. Madrid | | 100.00% | 2/91 | 4,200 | (25,936) | (270) |
| Diario El País Argentina, S.A. | Leandro N. Alem. 720. Buenos Aires. 1001. Argentina | Operation of El País newspaper in Argentina | 100.00% | | 1,050 | 567 | (480) |
| Diario El País Do Brasil Distribuidora de Publicaçoes, LTDA. | Rua Padre Adelino. 758 Belezinho. CEP 03303-904. Sao Paulo. Brasil | Operation of El País newspaper in Brazil | 100.00% | | 2,842 | 175 | (1,293) |
| Ediciones El País, S.L. | Miguel Yuste, 40. Madrid | Publication, operation and sale of El País newspaper | 99.99% | 2/91 | 3,306 | 4,221 | (942) |
| Ediciones El País (Chile) Limitada. | Eliodoro Yáñez 1783, Providencia. Santiago. Chile | Publication, operation and sale of El País newspaper in Chile | 99.99% | | 2,358 | 107 | (403) |
| Pressprint, S.L.U. | Valentín Beato, 44. Madrid | Production, printing, publication and distribution of products format | 100.00% | 2/91 | 38,750 | 30,917 | (12,843) |
| Ediciones Conelpa, S.L. | Paseo de la Castellana. 9-11. Madrid | Publication and operation of magazines in physical and digital | 50.00% | | 3 | (1,637) | 312 |
| **TRADE PRESS** | | | | | | | |
| Diario As, S.L. | Valentín Beato, 44. Madrid | Publication and operation of As newspaper | 75.00% | 2/91 | 1,400 | 43,968 | 5,752 |
| As Chile SPA | Eliodoro Yáñez 1783, Providencia. Santiago. Chile | Publication and operation of As newspaper in Chile | 75.00% | | 7 | (95) | (135) |
| Estructura, Grupo de Estudios Económicos, S.A. | Miguel Yuste, 42. Madrid | Publication and operation of Cinco Días newspaper | 100.00% | 2/91 | 60 | (611) | (308) |
| Grupo Empresarial de Medios Impresos y digitales, S.L. (*Previous Grupo Empresarial de Medios Impresos, S.L.* ) | Gran Vía, 32. Madrid | Documentation services | 100.00% | 2/91 | 990 | 68,179 | (219) |
| Meristation Magazine, S.L. | Almogavers 12. Llagostera. Girona | Prestación de servicios de documentación | 100.00% | 2/91 | 6 | (198) | (320) |

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

COMPANIES INCLUDED IN THE SCOPE OF CONSOLIDATION: DECEMBER 2014

*APPENDIX II*

| COMPANY | REGISTERED OFFICE | LINE OF BUSINESS | 12/31/14 (In thousands of euros) | | | | |
|---|---|---|---|---|---|---|---|
| | | | PERCENTAGE OF OWNERSHIP | TAX GROUP (*) | SHARE CAPITAL | SHAREHOLDERS' EQUITY | EBIT |
| **RADIO IN SPAIN** | | | | | | | |
| Antena 3 de Radio, S.A. | Gran Vía, 32. Madrid | Operation of radio broadcasting stations | 79.99% | | 4,994 | 18,400 | 7,149 |
| Antena 3 de Radio de León, S.A. | Gran Vía, 32. Madrid | Operation of radio broadcasting stations | 79.64% | | 135 | 590 | 24 |
| Antena 3 de Radio de Melilla, S.A. | Gran Vía, 32. Madrid | Operation of radio broadcasting stations | 79.99% | | 61 | 752 | 114 |
| Compañía Aragonesa de Radiodifusión, S.A. | Paseo de la Constitución, 21. Zaragoza | Operation of radio broadcasting stations | 77.62% | | 66 | 3,057 | 66 |
| Ediciones LM, S.L. | Plaza de Cervantes, 6. Ciudad Real | Operation of radio broadcasting stations | 40.01% | | 216 | 3,432 | 101 |
| Gestión de Marcas Audiovisuales, S.A. | Gran Vía, 32. Madrid | Production and recording of sound media | 80.00% | 2/91 | 70 | 653 | (71) |
| Gran Vía Musical de Ediciones, S.L. | Gran Vía, 32. Madrid | Provision of music services | 80.00% | 2/91 | 3,000 | 5,075 | (228) |
| Iniciativas Radiofónicas, S.A. | Gran Vía, 32. Madrid | Operation of radio broadcasting stations | 74.73% | | 228 | 496 | 17 |
| Iniciativas Radiofónicas de Castilla La Mancha, S.A. | Carreteros, 1. Toledo | Operation of radio broadcasting stations | 56.01% | | 61 | 139 | 15 |
| La Palma Difusión, S.A. | Almirante Díaz Pimienta, 10. Los Llanos de Aridane. Santa Cruz de Tenerife | Operation of radio broadcasting stations | 79.99% | | 360 | 543 | 91 |
| Ondas Galicia, S.A. | San Pedro de Mezonzo, 3. Santiago de Compostela | Operation of radio broadcasting stations | 37.00% | | 70 | 321 | 58 |
| Propulsora Montañesa, S. A. | Pasaje de Peña. Nº 2. Interior. 39008. Santander | Operation of radio broadcasting stations | 79.90% | | 390 | 1,974 | 352 |
| Radio Club Canarias, S.A. | Avenida Anaga, 35. Santa Cruz de Tenerife | Operation of radio broadcasting stations | 76.00% | | 480 | 3,663 | 932 |
| Radio España de Barcelona, S.A. | Caspe, 6. Barcelona | Operation of radio broadcasting stations | 79.46% | | 364 | 1,768 | (33) |
| Radio Lleida, S.L. | Calle Vila Antonia. Nº 5. Lleida | | 53.07% | | 300 | 551 | (46) |
| Radio Murcia, S.A. | Radio Murcia, 4. Murcia | Operation of radio broadcasting stations | 66.67% | | 120 | 1,121 | 246 |
| Radio Zaragoza, S.A. | Paseo de la Constitución, 21. Zaragoza | Operation of radio broadcasting stations | 70.42% | | 183 | 2,698 | 795 |
| Sociedad Española de Radiodifusión, S.L. | Gran Vía, 32. Madrid | Operation of radio broadcasting stations | 80.00% | 2/91 | 6,959 | 130,280 | (12,600) |
| Sociedad Independiente Comunicación Castilla La Mancha, S.A. | Avenida de la Estación, 5 Bajo. Albacete | Operation of radio broadcasting stations | 59.33% | | 379 | 1,039 | 160 |
| Societat de Comunicacio i Publicidat, S.L. | Parc. de la Mola, 10 Torre Caldea, 6º Escalde. Engordany. Andorra | Operation of radio broadcasting stations | 79.46% | | 30 | (1,080) | (31) |
| Sonido e Imagen de Canarias, S.A. | Caldera de Bandama, 5. Arrecife. Lanzarote | Operation of radio broadcasting stations | 40.00% | | 230 | 879 | 266 |
| Teleser, S.A. | Gran Vía, 32. Madrid | Operation of radio broadcasting stations | 63.29% | | 75 | 78 | 11 |
| Teleradio Pres, S.L. | Avenida de la Estación, 5 Bajo. Albacete | Media management | 60.08% | | 150 | 406 | (2) |
| Unión Radio Digital, S.A. | Gran Vía, 32. Madrid | Operation of digital radio broadcasting concession | 79.99% | | 6,010 | 5,712 | (2) |
| Unión Radio Online, S.A. | Gran Vía, 32. Madrid | Production and organisation of shows and events | 80.00% | 2/91 | 712 | (5,444) | (8) |
| Unión Radio Servicios Corporativos, S.A. | Gran Vía, 32. Madrid | Holdings in radio broadcasting companies | 80.00% | 2/91 | 11,281 | 9,972 | (73) |
| Radio Jaén, S.L. | Obispo Aguilar, 1. Jaén | Operation of radio broadcasting stations | 28.79% | | 563 | 934 | 26 |
| Unión Radio del Pirineu, S.A. | Carrer Prat del Creu, 32. Andorra | Operation of radio broadcasting stations | 26.40% | | 249 | 350 | 60 |
| **INTERNATIONAL RADIO** | | | | | | | |
| Abril, S.A. | Eliodoro Yañex. Nº 1783. Comuna Providencia Santiago. Chile | Commercial radio broadcasting services and operation of radio stations | 80.00% | | 858 | 1,696 | 9 |
| Aurora, S.A. | Eliodoro Yañex. Nº 1783. Comuna Providencia Santiago. Chile | Commercial radio broadcasting services and operation of radio stations | 80.00% | | 414 | 2,258 | 253 |
| Blaya y Vega, S.A. | Eliodoro Yañex. Nº 1783. Comuna Providencia Santiago. Chile | Commercial radio broadcasting services and operation of radio stations | 80.00% | | 1,971 | 19,470 | 720 |
| Caracol, S.A. | Calle 67 Nº 7-37 Piso 7 Bogotá. Colombia | Commercial radio broadcasting services | 61.64% | | 11 | 43,338 | 25,667 |
| Caracol Broadcasting Inc. | 2100 Coral Way - Miami 33145 - Florida, EE.UU. | Operation of radio broadcasting stations | 79.99% | | 215 | 2,188 | (447) |
| Caracol Estéreo, S.A. | Calle 67 Nº 7-37 Piso 7 Bogotá. Colombia | Commercial radio broadcasting services | 61.63% | | 3 | 294 | 117 |
| CHR, Cadena Hispanoamericana de Radio, S.A. | Calle 67 Nº 7-37 Piso 7 Bogotá. Colombia | Commercial radio broadcasting services | | | 353 | 1,458 | (16) |
| Comercializadora Iberoamericana Radio Chile, S.A. | Eliodoro Yañex. Nº 1783. Comuna Providencia Santiago. Chile | Prodution and sale of CD's, advertising, promotions and events | 79.99% | | 21,305 | 24,363 | 747 |
| Compañía de Comunicaciones C.C.C. Ltda. | Calle 67 Nº 7-37 Piso 7 Bogotá. Colombia | Commercial radio broadcasting services | 61.60% | | 25 | 2,152 | 254 |
| Compañía de Radios, S.A. | Eliodoro Yañex. Nº 1783. Comuna Providencia Santiago. Chile | Commercial radio broadcasting services | 80.00% | | 298 | 2,618 | 14 |

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

**COMPANIES INCLUDED IN THE SCOPE OF CONSOLIDATION: DECEMBER 2014**

*APPENDIX II*

| COMPANY | REGISTERED OFFICE | LINE OF BUSINESS | 12/31/14 (In thousands of euros) PERCENTAGE OF | TAX GROUP (*) | SHARE CAPITAL | SHAREHOLDERS' EQUITY | EBIT |
|---|---|---|---|---|---|---|---|
| **INTERNATIONAL RADIO** | | | | | | | |
| Comunicaciones del Pacífico, S.A. | Eliodoro Yañex. Nº 1783. Comuna Providencia Santiago. Chile | Operation and management of TV channels and radio stations | 79.99% | | 458 | 2,238 | 986 |
| Comunicaciones Santiago, S.A. | Eliodoro Yañex. Nº 1783. Comuna Providencia Santiago. Chile | Operation and management of TV channels and radio stations | 79.99% | | 456 | 813 | 784 |
| Consorcio Radial de Panamá, S.A | Urbanización Obarrio, Calle 54 Edificio Caracol. Panamá | Advisory services and commercialisation of services and products | 79.99% | | 8 | 171 | 61 |
| Corporación Argentina de Radiodifusión, S.A. | Beazley 3860. Buenos Aires. Argentina | Operation of radio broadcasting stations | 79.91% | | 92 | (2,265) | (2,135) |
| Ecos de la Montaña Cadena Radial Andina, S.A. | Calle 67. Nº 7-37. Piso 7. Bogotá. Colombia | Commercial radio broadcasting services | 61.44% | | 0 | 462 | 35 |
| Emisora Mil Veinte, S.A. | Calle 67. Nº 7-37. Piso 7. Bogotá. Colombia | Commercial radio broadcasting services | 60.58% | | 0 | 284 | 28 |
| Fast Net Comunicaciones, S.A. | Eliodoro Yañex. Nº 1783. Comuna Providencia Santiago. Chile | Commercial radio broadcasting services and operation of radio stations | 79.99% | | 2 | (3,702) | 757 |
| GLR Broadcasting, LLC | Baypoint Office Tower, 4770 BiScayne Blvd. Suite 700 Miami. FL 33137. EE.UU. | Operation of radio broadcasting stations | 79.99% | | 1 | (4,864) | (6,593) |
| GLR Chile, Ltda. | Eliodoro Yañex. Nº 1783. Comuna Providencia Santiago. Chile | Operation of radio broadcasting stations | 80.00% | | 39,261 | 82,867 | 8,872 |
| GLR Colombia, Ltda. | Calle 67. Nº 7-37. Piso 7. Bogotá. Colombia | | 80.19% | | 263 | 227 | (20) |
| GLR Midi France, S.A.R.L. | Immeuble Le Periscope, 83-87 Av. d´Italie. Paris. Francia | Radio broadcasting | 60.00% | | 40 | 22 | 0 |
| GLR Networks, LLC | Baypoint Office Tower, 4770 BiScayne Blvd. Suite 700 Miami. FL 33137. EE.UU. | Provision of services to radio broadcasting companies | 79.99% | | 3,676 | (2,377) | (409) |
| GLR Services Inc. | Baypoint Office Tower, 4770 BiScayne Blvd. Suite 700 Miami. FL 33137. EE.UU. | Provision of services to radio broadcasting companies | 79.99% | | 4 | (5,132) | (13,566) |
| GLR Southern California, LLC | 3500 Olive Avenue Suite 250 Burbank, CA 91505. EE.UU. | Provision of services to radio broadcasting companies | 79.99% | | 0 | (3,982) | (6,554) |
| Iberoamericana Radio Chile, S.A. | Eliodoro Yañex. Nº 1783. Comuna Providencia Santiago. Chile | Commercial radio broadcasting services and operation of radio stations | 80.00% | | 27,361 | 47,562 | 5,371 |
| Iberoamerican Radio Holding Chile, S.A. | Eliodoro Yañex. Nº 1783. Comuna Providencia Santiago. Chile | Commercial radio broadcasting services and operation of radio stations | 80.00% | | 3,635 | (4,649) | 648 |
| La Voz de Colombia | Calle 67. Nº 7-37. Piso 7. Bogotá. Colombia | Commercial radio broadcasting services | 60.52% | | 1 | 441 | 35 |
| LS4 Radio Continental, S.A | Rivadavia 835. Ciudad Autónoma de Buenos Aires. Argentina | Radio broadcasting and advertising services | 79.97% | | 5,408 | (3,318) | (3,133) |
| Promotora de Publicidad Radial, S.A. | Calle 67. Nº 7-37. Piso 7. Bogotá. Colombia | Commercial radio broadcasting services | 61.63% | | 1 | 573 | 351 |
| Publicitaria y Difusora del Norte Ltda. | Eliodoro Yañex. Nº 1783. Comuna Providencia Santiago. Chile | Radio broadcasting | 79.99% | | 921 | 3,947 | 1,824 |
| Radiodifusion Iberoamerican Chile S.A. | Eliodoro Yañex. Nº 1783. Comuna Providencia Santiago. Chile | Holding | 80.00% | | 12,009 | 27,537 | 3 |
| Radio Estéreo, S.A | Rivadavia 835. Ciudad Autónoma de Buenos Aires. Argentina | Radio broadcasting and advertising services | 79.97% | | 528 | (59) | (193) |
| Radio Mercadeo, Ltda. | Calle 67. Nº 7-37. Piso 7. Bogotá. Colombia | Commercial radio broadcasting services | 57.76% | | 298 | 437 | (3) |
| Sociedad Radiodifusora del Norte, Ltda. | Eliodoro Yañex. Nº 1783. Comuna Providencia Santiago. Chile | Operation of radio broadcasting stations | 79.99% | | 264 | (615) | 5 |
| Sociedad de Radiodifusión El Litoral, S.A. | Eliodoro Yañex. Nº 1783. Comuna Providencia Santiago. Chile | Rental of equipment and advertising sales | 80.00% | | 7 | 3,503 | 77 |
| W3 Comm Inmobiliaria, S.A. de C.V. | Carretera Libre Tijuana. Ensenada 3100. Rancho Altamira Blvd Popotla y Camino al FRACC Misión del Mar. Playas de Rosarito. Baja California. EE.UU. | Real estate development services | 80.00% | | 2,348 | 2,298 | 3 |
| Cadena Radiodifusora Mexicana, S.A. de C.V. | Calzada de Tlalpan 3000 col Espartaco México D.F. 04870. México | Operation of radio broadcasting stations | 40.00% | | 1,389 | 15,972 | 6,950 |
| GLR Costa Rica, S.A. | Llorente de Tibás. Edifico La Nación. San José. Costa Rica | Operation of radio broadcasting stations | 40.00% | | 1,020 | 1,180 | 144 |
| Radio Comerciales, S.A. de C.V. | Rubén Darío nº 158. Guadalajara. México | Operation of radio broadcasting stations | 40.00% | | 776 | 1,093 | 77 |
| Radio Melodía, S.A. de C.V. | Rubén Darío nº 158. Guadalajara. México | Operation of radio broadcasting stations | | | 28 | 271 | 236 |
| Radio Tapatía, S.A. de C.V. | Rubén Darío nº 158. Guadalajara. México | Operation of radio broadcasting stations | 39.59% | | 95 | 397 | 278 |
| Radiotelevisora de Mexicali, S.A. de C.V. | Avenida Reforma 1270. Mexicali Baja California. México | Operation of radio broadcasting stations | 40.00% | | 3,590 | 4,095 | 859 |
| Servicios Radiópolis, S.A. de C.V. | Calzada de Tlalpan 3000 col Espartaco México D.F. 04870. México | Operation of radio broadcasting stations | 40.00% | | 3 | (295) | 146 |
| Servicios Xezz, S.A. de C.V. | Calzada de Tlalpan 3000 col Espartaco México D.F. 04870. México | Operation of radio broadcasting stations | 39.59% | | 3 | 5 | 8 |
| Sistema Radiópolis, S.A. de C.V. | Avenida Vasco de Quiroga 2000. México D.F. México | Operation of radio broadcasting stations | 40.01% | | 12,376 | 39,249 | 21,496 |
| Xezz, S.A. de C.V. | Rubén Darío nº 158. Guadalajara. México | Operation of radio broadcasting stations | 39.59% | | 47 | 102 | 29 |
| Multimedios GLP Chile SPA | | | | | 1,085 | 750 | 0 |
| Promotora Radial del Llano, LTDA | Calle 67 Nº 7-37 Piso 7 Bogotá. Colombia | Commercial radio broadcasting services | | | 1 | 56 | 49 |
| El Dorado Broadcasting Corporation | 2100 Coral Way. Miami. Florida. EE.UU. | Development of the Latin radio market in the US | 20.00% | | 196 | (1,417) | 0 |
| Green Emerald Business Inc. | Calle 54. Obarrio Nº 4. Ciudad de Panamá. Panamá | Development of the Latin radio market in Panama | 27.96% | | 3,986 | (2,950) | (539) |
| WSUA Broadcasting Corporation | 2100 Coral Way. Miami. Florida. EE.UU. | Radio broadcasting | 20.00% | | 587 | (4,703) | 108 |
| W3 Comm Concesionaria, S.A. de C.V. | Carretera Libre Tijuana. Ensenada 3100. Rancho Altamira Blvd Popotla y Camino al FRACC Misión del Mar. Playas de Rosarito. Baja California. EE.UU. | Advisory services on business administration and organisation | 79.59% | | 6 | (786) | 39 |
| **MUSIC** | | | | | | | |
| Compañía Discográfica Muxxic Records, S.A. | Gran Vía, 32. Madrid | Production and recording of sound media | 80.00% | 2/91 | 750 | 739 | (1,249) |
| Gran Vía Musical, S.A.S. | Calle 67. Nº 7 - 37. Piso 7º. Bogotá. Colombia. | Provision of music services | 80.00% | | 3,000 | 5,075 | (228) |
| Lirics and Music, S.L. | Gran Vía, 32. Madrid | Music publishing | 80.00% | 2/91 | 12 | 1,166 | 113 |
| Merchandising On Stage, S.L. | Ulises, 49. 28043. Madrid | Production and/or import of textile articles, jewellery, graphic materials, phonographic and/c | 80.00% | 2/91 | 3 | (389) | (71) |
| Nova Ediciones Musicales, S.A. | Gran Vía, 32. Madrid | Music publishing | 80.00% | 2/91 | 600 | 2,375 | 488 |
| Planet Events, S.A. | Gran Vía, 32. Madrid | Production and organisation of shows and events | 56.00% | | 120 | (279) | (237) |
| RLM, S.A. | Puerto de Santa María, 65. 28043. Madrid | Production and organisation of shows and events | 40.40% | | 83 | 384 | 282 |
| RLM Colombia, S.A.S. | Calle 67. Nº 7 - 37. Piso 7º. Bogotá. Colombia. | Production and organisation of shows and events | 40.40% | | 34 | (11) | (1) |
| Sogecable Música, S.L. | Gran Vía, 32. Madrid | Creation, broadcasting, distribution and operation of thematic television channels | 80.00% | 2/91 | 1,202 | 895 | (28) |
| My Major Company Spain, S.L. | Gran Vía, 32. Madrid | Music publishing | 40.00% | | 9 | 25 | (32) |

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

**COMPANIES INCLUDED IN THE SCOPE OF CONSOLIDATION: DECEMBER 2014**

*APPENDIX II*

| COMPANY | REGISTERED OFFICE | LINE OF BUSINESS | 12/31/13 (In thousands of euros) PERCENTAGE OF OWNERSHIP | TAX GROUP (*) | SHARE CAPITAL | SHAREHOLDERS' EQUITY | EBIT |
|---|---|---|---|---|---|---|---|
| **DIGITAL** | | | | | | | |
| Infotecnia 11824, S.L. | Ronda de Poniente 7. Tres Cantos. Madrid | Provision of telecommunication services | 60.00% | | 40 | 119 | 44 |
| **PRINTING** | | | | | | | |
| Bidasoa Press, S.L. | Calle Malilla Nº 134. 46026. Valencia | Printing of publishing products | 100.00% | 2/91 | 2,047 | 2,926 | 978 |
| Dédalo Grupo Gráfico, S.L. | Carretera de Pinto a Fuenlabrada, Km. 20,8. Madrid | Printing of publishing products | 100.00% | 2/91 | 3 | 293 | 6 |
| Distribuciones Aliadas, S.A. | Polígono Industrial La Isla. Parcela 53. 41700 Dos Hermanas. | Printing of publishing products | 100.00% | 2/91 | 2,100 | 8,490 | (104) |
| Norprensa, S.A. | Parque Empresarial IN-F. Calle Costureiras. s/n 27003. Lugo | Printing of publishing products | 100.00% | 2/91 | 270 | 242 | (24) |
| **MEDIA ADVERTISING SALES** | | | | | | | |
| Prisa Innova, S.L. | 2100 Coral Way. Suite 200. Miami. Florida. 33145. EE.UU. | Management of promotional products and services | 100.00% | | 7,004 | 206 | 161 |
| Solomedios, S.A. | Valentín Beato, 48. Madrid | Advertising management | 100.00% | 2/91 | 180 | 187 | (1) |
| **OTHER** | | | | | | | |
| GLP Colombia, Ltda | Carrera 9, 9907 Oficina 1200. Bogotá. Colombia | Operation and sale of all manner of advertising | 100.00% | | 236 | 2,422 | 2,207 |
| Prisa Inc. | 5300 First Union Finacial Centre. Miami. Florida. EE.UU. | Management of companies in the US and North America | 100.00% | | 1,287 | (363) | 2 |
| Promotora de Actividades América 2010 - México, S.A. de C.V. | Avenida Paseo de la Reforma 300. Piso 9. Col. Juárez. 06600. México. D.F. México | Development, co-ordination and management of all manner of international and national projects marking the bicentenary of American Independence | 100.00% | | 3 | 665 | - |

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

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

Individual Directors' Report for 2014

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

DIRECTOR'S REPORT FOR 2014

### 1. POSITION OF THE COMPANY

**Organizational structure**

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

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

With over 250 web sites, visited by 30 million unique monthly users (source: comScore Dec'13) (94 millones de navegadores únicos (Fuente: Adobe Omniture+Netscape, Dic´14)), PRISA is at the forefront of multi-channel and multi-device distribution and, with the launch of an ambitious strategy for content distribution, offering myriad differentiated products and services through all types of devices.

The commitment to society is the essence of PRISA. From the very beginning, the founders and promoters of EL PAÍS have been committed to Spanish society, to defending and expanding democratic liberties for all. Aware of and committed to this reality, this maxim remains valid in the Company more than three decades later and now extends to all of Latin America.

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

**Santillana** is the leading company in Spain and Latin America in the creation of content and educational services. With more than 124 million books sold each year, the company has been synonymous with quality, innovation and service to teaching staff since its inception in 1960.

With five decades of experience in the sector and an international presence in 22 countries, Santillana has consolidated its lead across all publishing segments, and has established deep roots in all of its local and regional markets.

To further develop its operations in Latin America, in April 2010 Santillana partnered with DLJ South American Partners, who now have a 25% stake.

The company is committed to education, which we approach in a comprehensive and innovative fashion, embracing educational content and services. The present and the future of Santillana can thus be summed up by two chief goals: to improve the quality of education in all those countries where we have operations, and to forge ahead with the introduction of new technologies that will enable us to offer quality products and services that will meet new user needs. One of the educational projects that best express this commitment is Sistema UNO, which is a new way of relating to the education community and which will enable us rise to the educational challenges of the 21st century.

**PRISA Noticias** is the group's business unit that encompasses all PRISA's news brands originally in print editions and now also available in multi-platform format: El País, Cinco Días, AS, El Huffington Post, Le Monde, Rolling Stone, Cinemanía, Claves, Car, as well as other corporate magazine publications. The online audience of the flagship papers amounts to nearly 23.5 million users (source: Comscore, December 2014).

**PRISA Radio** is the world's largest Spanish-language radio broadcasting group with nearly 28 million listeners, 7 million unique users online (comScore) and more than 1,250 stations, either directly owned or associates, spread out over twelve countries.

Throughout these twelve countries, the company has developed a business model which values, above all, content and which favors the development of global brands. This in turn fosters synergies on costs and on advertising sales as well as the development of new formats across the board, both in general-interest radio as well as in music radio. PRISA Radio has a global presence with a local outlook and this allows the company to benefit from an exchange of ideas throughout the network, while, at the same time, boosting the value of the parent group.

In the constantly changing digital environment, particular emphasis is placed on creating dynamic content for all platforms and promoting interaction with listeners, leveraging the possibilities of social networks and boosting the brands' profile in these networks.

PRISA Radio enjoys an excellent position in the major Spanish-language radio markets, and is the absolute leader in Spain, Colombia and Chile.

In **audiovisual** area, Media Capital is the leading media group in Portugal. In the television segment, it owns TVI – the leading Portuguese free-to-air TV broadcasting channel- the second largest radio group in Portugal (MCR), and Media Capital Digital, a multimedia company whose principal brand, IOL, is the second largest national internet gateway.

The Group has also strong positions in other business related to the media sector, such as Audiovisual Production – through the multinational company (and, among others, Emmy winner for best telenovela ("Mi amor") in 2010) Plural Entertainment – music edition and musical events, by Farol Musica.

**Corporate governance**

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

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

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

The Board of Directors of Prisa currently is comprised of sixteen directors: three inside directors, three proprietary directors, eight independent directors and another two external director. They have various academic backgrounds and outstanding professional careers.

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

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

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

**Performance**

*Operating target and strategy*

In general, the **Group** has gone to great lengths in recent years to clamp down on costs, achieving considerable reductions in personnel and other operating expenses, and scaling back capex to the bare minimum required for its operations. Efforts will remain geared towards controlling costs and capex, channeling available resources to growth areas.

*Financial targets and strategy*

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

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

In 2014, the Company made great strides in the execution of the refinancing plan, slashing debt by nearly EUR 780 million by repurchasing debt at a discount (c. 25%) with proceeds from the sale of shares of Mediaset España and the capital increase subscribed by Consorcio Transportista Occher SA.

The Company also signed an agreement to sell its pay TV business, Canal+, to Telefónica. This transaction is currently awaiting approval by the competent authorities.

Looking ahead to 2015, the focus will remain on executing the refinancing plan.

## 2. BUSINESS PERFORMANCE

### Financial result

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

***Key highlights*** for 2014 include:

- Group **operating income** in 2014 amounted to EUR 1,454.7 million (-6.2%) and **EBITDA** to EUR 183.4 million (-28.8%).

- **Advertising revenue** totalled EUR 490.4 million (-1.3%), with a 2.8% decrease in advertising in Spain, but a 10.2% increase in Portugal for the year, consolidating the recovery seen in recent months.

- **Latin America and the US** represented 47.5% of the Group's revenues and 94.0% of EBITDA. Latin America posted further growth in local currency (by Santillana and in radio) despite the economic slowdown in some economies (e.g. Chile and Colombia).

- **Cost cutting** and control over capex were implemented throughout the Group, with resources allocated to growth, mainly of Santillana.

- Operating expenses in **Education** amounted to EUR 716.6 million (-2.9%), with a negative currency effect of EUR 66.7 million, and EBITDA to EUR 170.7 million, broadly in line with 2013 levels.

Campaigns in the South area performed well in local currency for the most part, while campaigns in the North area also fared well. In Spain, the campaign drove growth compared to 2013, despite the challenges of implementing the new law on education thanks to the commercial efforts and cost control.

Last year featured further development of the digital education systems (UNO) in Latin America, with considerably higher profitability and growth in enrolment.

- **Radio** operating expenses amounted to EUR 305.1 million (-5.8%), with a negative currency effect of EUR 11.6 million, and EBITDA to EUR 45.7 million (-2.2%). Advertising in Spain decreased 2.4%, but grew throughout Latin America in local currency except in Chile, due to the country's economic downturn.

  Noteworthy was the operating improvement in Spain, with EBITDA soaring EUR 8.6 million to EUR 11.3 million.

- **Press** operating income was down 7.2% at EUR 260.2 million. Advertising revenue was 2.9% lower (El País -5.2% and AS +7.0%), while traditional revenue slumped 9.6%, undermining to some extent the good performance by digital advertising revenue, which rose 18.4%.

- **Media Capital** operating income reached EUR 179.8 million (-1.1%) and EBITDA amounted to EUR 42.1 million (7.8%). Advertising revenue advanced 11.1%, with solid performances in TV (+11.4%) and radio (+9.2%).

- The Group continues to press on with its **refinancing plan** and in 2014 carried out a series of transactions under the scope of its debt-reduction commitment, such as the sale of a 13.68% of stake in Mediaset España Comunicación, S.A., the agreement with Telefónica de Contenidos, S.A.U. to sell a 56% stake in DTS and the capital increase subscribed by Consorcio Transportista Occher, S.A. de C.V.

## 3. HUMAN RESOURCES

### Social objectives and policies

Our Human Resources policy is a reflection of our conviction that our human capital is our best guarantee for meeting our commitments to society. We believe that:

- There is only one way to inform, educate and understand people, and that is through people.
- There is only one way to be world leaders in communication, and that is by developing leaders among our team members.
- There is only one way to be responsible in society, and that is by having independent and socially committed professionals.

All the Group’s companies believe in strict respect for the basic labor rights as recognized by the International Labor Organization, especially in issues related to equality and non-discrimination on the basis of sex, ideology or beliefs as well respect for the labor laws of the country in which each company operates.

Apart from certain company directors, all our staff are subject to labor agreements in each of their companies. These agreements substantially improve working conditions and thus provide our professionals with a stimulating and competitive working environment, free of financial concerns, with job security, independence and sophisticated technology. Staffs enjoy total freedom to participate in trade unions and the Group fosters social dialogue. PRISA's commitment to human capital has the following main goals:

- To promote and foster the defense and effective practice of the principle of equality between the sexes, ensuring the same rights to access to work and professional development at all levels.
- To increase women's chances of gaining posts of greater responsibility within the Company, thus reducing inequalities.
- To prevent discrimination on grounds of sex by means of a special protocol for taking action where necessary in some business units.
- To establish measures those favor the balance between the personal lives and professional responsibilities of our employees.

**Employee training**

Training and the continuing professional development of employees is a key element in the Group's policy to maintain the highest standards of professionalism, quality and career advancement.

Prisa employees have access to a wide range of training options thanks to the opportunities that the Company makes available to all its professionals. These opportunities are structured using different tools, through both on-site training and online training (Campus Prisa).

**Campus PRISA** is an on-line training portal for all Group employees and is focused on developing employees' skill sets, and to complement the process of sectorial professional retraining that is demanded by the dramatic metamorphosis of the traditional media economy into a digital one.

With nearly 2,081 students enrolled in various courses including specialized courses are digital aspects that have become another tool that fosters transformation and the improvement of the working environment. All course modules are being designed and taught by employees of the organization, which is once again promoting a culture of knowledge and creativity among the workforce.

In parallel, we have developed a series of classroom sessions, workshops and seminars devoted to innovation and knowledge and training in technical innovation team.

The goal for 2015 is to increase the offer of courses to meet the most urgent needs that might be detected anywhere in the organization.

**Mi Idea!** This is an open innovation platform aimed at getting all employees more involved by making suggestions, sharing ideas for improvement projects and even intellectual property patents. The number of users during the year were 3,731 and the number of spontaneous ideas proposed 301. This tool is designed to identify both individual talent as well as any groundbreaking new ideas that may emerge from any part of the organization. Moreover, the innovation departments and the Agents of Change of each business unit set challenges to encourage participation and thereby gather the seeds of ideas for projects that will improve all Group businesses.

**Factory Experience (FEX)** launched in late 2013 is another initiative to promote the development of the collective intelligence of the Group through the identification of skilled employees, who are responsible for providing useful knowledge throughout the organization. It features an on- line platform, which is accessible to all employees. On this platform, experience and knowledge gained from the projects business, organization and relevant technology is also integrated. The number of users during the year were 1,994 and the number of ideas published 69 pieces of knowledge.

**Equality in diversity**

Grupo PRISA endorses supports and promotes all policies that contribute to equal opportunities and non-discrimination based on race, gender, political or religious beliefs. In their daily management, Group companies strictly comply with these principles.

It is worth reiterating that PRISA has adopted a Code of Conduct, mandatory for all employees, in which pluralism and respect for all ideas, cultures and people, are set out as the company's core values. PRISA is committed to respecting and protecting human rights and civil liberties, with the chief objective being respect for human dignity.

A statement of principles is available on the Group's Intranet and the Intranets of the individual Business Units that inform and guide company operations in the areas of equality, diversity and the integration of disadvantaged groups.

The Group ensures that many of its service needs are met through special employment centers, whose staff is composed of persons with disability.

The principles that inspire both the Group and its workers are:

- Compliance with the principle of equal treatment at work.
- Rejection of any discrimination on grounds of sex, marital status, age, race or ethnicity, religion or belief, disability, sexual orientation, political beliefs, trade union membership, etc.
- Special attention to the implementation of equal opportunities between men and women in access to employment, promotion, training, job security and pay equity.
- Commitment to creating positive work environments, to preventing bullying and harassment and to pursuing and resolve any cases that might occur.

**Occupational health and safety**

PRISA remained committed to its objective of promoting a preventive culture throughout its businesses. Noteworthy in this regard is the Group's commitment to comprehensive compliance with current regulations and the integration of risk prevention in the management of companies.

The main initiatives undertaken by the Joint Prevention Service have focused on encouraging training that will contribute to the physical welfare of workers (posture, computer workstations, lighting improvements in the workplace, etc.) and through specific preventive projects aimed at improving working conditions to increase our employees levels of protection and welfare while they work.

**Social benefits**

It is Group policy to provide companies with adequate resources so as to offer employment benefits that will be sufficiently attractive to the very best professionals. It is worth noting that PRISA operates in 22 countries. Each market in which it operates has special characteristics to which Human Resource Management Policy must be sensitive and thereby be in a position to offer an appropriate response to both the needs and the expectations of the professionals joining these companies.

Within this framework, in 2012 a program of flexible remuneration Spain was enhanced in 2013 and 2014, expanding the supply and improving conditions was designed. In Portugal has also implemented the flexible remuneration system in 2014 (ticket and ticket nursery education) and is expected to expand the products in 2015. The Group companies in Latin America social benefits in many cases are regulated by the legislation of each country and are mandatory

**Flexibility measures**

PRISA's companies have come to understand the very real benefits of offering balanced work days that provide an optimum balance for our staff's professional and personal lives. Many of our companies offer employees flexible work days, home working, and the possibility of working intensive shifts in summer, at Christmas and Easter.

Additionally, in Spain, during 2013, these measures favoring a balance between work and personal life have been maintained, with the plan consisting of four elements:

- Special voluntary leave with guaranteed readmission, financial benefits and social security contributions.
- Longer annual holiday with financial benefits and social security contributions.
- Longer weekend (4-day working weeks) while maintaining social security contributions.
- Leave for training with help to cover costs as well as social security contributions.
- Reduced working hours without any legal guardian

## 4. ENVIRONMENT

PRISA is committed to reducing the costs and the impact that our operations may have on the environment. The Group's Environmental Security Policy includes a series of basic principles in the area of legal compliance that contribute to the continuous improvement of our operations:

- Prisa will comply with all applicable legal requirements, and will, whenever possible, make every effort to anticipate them.
- The group will actively strive to reduce and prevent pollution and waste, and to conserve energy in all its operations.
- The group will require its suppliers to conduct their operations in an environmentally responsible manner.

- The group will ensure the safety of industrial operations, to avoid negative impact on the environment.

This policy is divided into three levels of action:

- ƒ. Emission control
- ƒ. Consumption control
- ƒ. Waste Control

The aim is to provide safe products and services that respect the environment throughout their life cycle, and to conduct operations in an environmentally responsible manner.

The expenses incurred in respect of environmental compliance, which have not been material, are charged to the income statement as they arise.

The Group believes that it have no environmental responsibilities, expenses, assets, provisions or contingencies that might be material in relation to our equity, financial condition and results of operations.

## 5. LIQUIDITY AND CAPITAL RESOURCES

**Financing**

Note 7.3 "Financial Liabilities" of the accompanying notes to the financial statements of Prisa for 2014 provide a description of the use of financial instruments by the Company.

**Contractual commitments**

Note 13 "Future Commitments" to the financial statements provide information on firm commitments giving rise to future cash outflows and associated with purchases and services received.

## 6. PRINCIPAL RISKS ASSOCIATED WITH THE BUSINESS

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

The activities of the subsidiaries of the Group and therefore its operations and results are subject to risks that can be grouped into the following categories:

- Strategic and operational risks.
- Financial risks.

**Strategic and operational risks of the business of the Group**

*Macroeconomic risks-*

The economic situation of Spain and Portugal has experienced an important slodown and volatility in recent years. Although from year-end 2013, a change in this trend was shown, which consolidated in 2014.

Main consumption indicators in these countries have been significantly deteriorated, and have impacted and still could impact in the future spending by customers on the products and services of the Group, including advertisers, subscribers to the pay TV platform (business that is currently in sales process, as described in the accompanying consolidated financial statemen) and other consumers of the content offerings of Prisa.

Furthermore, the activities and investments of Prisa in Latin America are exposed to the evolution of the various macroeconomic parameters of each country including a potential decline in consumption as a result of a slowdown in the growth rate in some of these countries. The Group's results in Latin America have been hurt by the weakness of the region's currencies since mid-2013, which eased starting in the second quarter of 2014. However, exchange rates have been fairly volatile in recent months.

*Decline in advertising markets-*

A relevant portion of the operating income (revenues) comes from advertising revenues through the press, radio, audiovisual and digital businesses. Expenditures by advertisers tend to be cyclical, reflecting overall economic conditions and perspectives.

Failure by the Spanish and Portuguese economies to improve as expected could undermine prospective spending by the Group's advertisers. In view of the grate component of fixed costs associated with business with a high component of advertising revenue (mainly Radio and Press), a drop in advertising revenues directly impacts operating profit and therefore the ability to generate cash flow of the Group, forcing business units to perform reviews and adjustments in its cost base.

*Piracy-*

Revenue from the exploitation of content and royalties owned by the Group are affected by illicit access to them via the internet or copy, which primarily affects the pay Tv business and book publishing.

*Competition risk-*

The businesses of audiovisual, education, radio and press in which Prisa operates are highly competitive industries. The ability to anticipate and adapt to new needs and customer demands, influences the position of the Group's businesses compared to other competitors.

*Drop of circulation-*

Press revenues from copy sales and subscriptions continue being negatively affected by the growth of alternative means of distribution, including free Internet sites for news and other contents.

*Sector regulation-*

Prisa operates in regulated industries and is therefore exposed to regulatory and administrative risks that could adversely impact its business.

Specifically, the Group businesses are subject to comprehensive regulations including the requirement to maintain concessions and licenses for the operations in Audiovisual and Radio segments, while the business of education is subject to the applicable law on national or regional education cycles.

*Country risk-*

The Group operations and investments in Latin America may be affected by various risks typical to investments in countries with emerging economies, the most significant of which include devaluation of foreign currencies, introduction of exchange restrictions, inflation, expropriation or nationalization of foreign assets, changes in applicable foreign tax levels, changes in policies and regulations or economic instability.

*Litigation risks-*

Prisa is involved in significant litigations, mainly in the Audiovisual area, some of which relate to DTS and could result in a future adjustment on the price of the sale purchase agreement *(see note 17)*. Additionally, Prisa is exposed to liabilities for the content of their publications and programs.

*Digital activity and safety net systems-*

Digital activities depend on internet service providers, online service providers and on systems infrastructure. Significant system failures or security breaches could have an adverse effect on operating results and financial condition of the Group.

*Technological risks-*

In order to maintain and increase its businesses and competitiveness, Prisa must adapt to technological advances, for which research and development are key factors. Technological changes may facilitate the entry of new competitors and potential market share decrease of the Group.

**Financial Risks**

*Financing risks -*

The financial obligations of the Society are described in note 7.3 "*Financial Liabilities*" of the accompanying financial statement of 2014.

As is described in that note, in the month of December of 2013 the Group signed a debt refinancing agreement which represents an extension of maturities, improving the flexibility in the process of debt reduction and enhancing its liquidity profile.

The improvement in the liquidity profile was derived from a new credit facility amounting of EUR 353 million signed with certain institutional investors to cover medium term liquidity needs, from the significant reduction of interests paid in cash.

The refinancing agreement included several commitments of debt reduction, for which compliance the Group has different alternatives including the sale of non-strategic assets, repurchase debt at a discount in the market, the leverage of operating assets, transfers debt between tranches and other corporate transactions. The contract contains automatic mechanisms that prevent its early termination, in certain situations, in case of such commitments are not met, which gives stability to the capital structure of the Group.

As described in the notes to the consolidated financial statements, the Group carried out a series of transactions to deliver its debt-reduction commitment, such as the placement of a package of shares of Mediaset España Comunicación, S.A., using the proceeds to buy back EUR 643,542 thousand of financial debt at an average discount of 25.7%, and the capital increase subscribed by Transportista Occher, S.A. de C.V., using the proceeds to buy back EUR 133,133 thousand of financial debt at an average discount of 25.0%. These transactions helped the Group lower debt by EUR 776,675 thousand in 2014.

In addition, in June 2014, the Group entered into an agreement with Telefónica de Contenidos, S.A.U. for the sale of shares representing 56% of DTS's capital for EUR 750 million. This sale transaction is subject to approval by the competition authorities of Spain that may impose conditions or commitments for the approval of the operation.

According to the contracts governing borrowing conditions and stipulated requirements, Prisa must meet certain commitments and financial leverage ratios (covenants). These contracts also include cross-default disposals.

As of December 31, 2014, the high levels of the Group bank debt (EUR 2,754 million), imply certain risks:

- increasing the vulnerability to general economic downturns and adverse industry conditions;
- requiring a portion of cash flow from operations to be dedicated to the payment of interest on the indebtedness, therefore reducing the ability to use cash flow to fund short term operations, working capital requirements, capital expenditures and future business operations;
- exposing the Group to the risk of increased interest rates, as a part of the borrowings are at variable rates of interest; and
- limiting the ability to adjust to changing market conditions and placing the Group at a disadvantage compared to competitors who have less debt.

*Equity situation of the parent company of the Group-*

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

In order to restore the equity balance, the mechanism was used to automatically convert part of Tranche 3 of the company's debt into participating loans for a sufficient amount to offset the negative equity.

During this period, the Company repurchased debt at a discount using the proceeds of the Occher share capital increase and the sale of 10.0% of Mediaset España, which reduced the amount of the participating loan required to restore the balance of equity.

The process to convert debt into the participating loan was carried out on 15 September, in the amount of EUR 506,834 thousand, which included the impact of the transactions and the operating results up to the date of conversion. This brought the Company's equity to two thirds of share capital.

At 31 December 2014, as a result of, among other items, a review of the sale price of DTS and recognition of additional impairment of EUR 23,789 thousand, the equity of the Company with respect to the cause of dissolution and/or reduction of capital stipulated in Spain's Corporate Enterprises Act (including participating loans outstanding at year-end) stood at EUR 31,554 thousand. In a bid to restore the equity balance, the automatic mechanism was again deployed to convert Tranche 3 of company debt into participating loans in a sufficient amount to offset the equity imbalance at the conversion date.

As occurred with the automatic conversion that took place in the second half of 2014, in accordance with the Corporate Enterprises Act, the date on which the debt will be converted into participating loans will be five business days before expiry of the two-month period allowed for taking the necessary measures to restore the company's equity, calculated from the date on which the Directors became aware of the negative equity, i.e. the date on which they authorized the financial statements showing the situation of negative equity.

*Sale of DTS-*

The refinancing agreement of Prisa´s Tranches 2 and 3 debt contain certain automatic mechanisms that prevent its early termination if the commitments of debt reduction included in the contract are not met. Therefore, in the case the sale of DTS was not completed and the company could not meet those debt reduction commitments, these mechanisms would apply and would prevent an early termination of the agreement.

In addition, the Company would decide to implement other corporate transactions to meet Tranche 1 repayment commitment if the sale of DTS was not executed and impacted the maturity of this debt.

Finally, if the sale of DTS to Telefónica or to a third party, in accordance with the sale purchase agreement signed with Telefónica, was not executed, the financial and strategic situation of the Group could be impacted in the long term.

*Liquidity Risk-*

The adverse macroeconomic situation, with significant drops in advertising, circulation and pay Tv subscribers, is having a negative impact on the ability of the Group's cash generation in the last years, mainly in Spain. The advertising-dependent businesses have a high percentage of fixed costs and drop in advertising revenue significantly impact on margins and cash position, hindering the implementation of additional measures to improve the operational efficiency of the Group. Similarly, a negative evolution of the pay TV business, would directly impact its liquidity, which could result in additional financing needs that would increase in case the closing of the sale of this business is delayed.

The Group thoroughly analyzes receivables and payments of its activities and maturity of financial and commercial debt. In relation with the commercial credit risk, the Group evaluates the aging of the debt and constantly manages receivables.

Additionally, the group analyzes on a recurrent basis other financing sources to cover short and medium term liquidity needs.

*Minority interests -*

There are significant minority interests in some cash generating companies, to highlight education, radio and pay TV. Santillana is required to pay to its minority interests (25% of its share capital) a predetermined fixed preferred dividend.

*Interest rates risk exposure-*

Approximately 44.56% of its bank borrowings terms are at variable interest rates, and therefore the Group is exposed to fluctuations in interest rates. Consequently, in order to reduce its exposure, the Group arranges interest rate hedges to the extent there are undrawn credit facilities.

*Fluctuations in foreign exchange rates-*

The Group is exposed to fluctuations in the exchange rates mainly in the financial investments in Latin American subsidiaries, and for the revenues and results from those investments.

In order to mitigate this risk, as far as there are available credit facilities, the Group arranges hedges to cover the risk of changes in exchange rates (mainly foreign currency hedges and forwards) on the basis of projections and budgets which are reviewed on a monthly basis, in order to reduce volatility in cash flows transferred to the Parent from foreign subsidiaries.

*Tax risks-*

Tax risks the Group are related to a possible different interpretation of the rules that could make the competent tax authorities, as well as the ability to generate sufficient taxable income to allow the recoverability of the tax credits arising from carry forward of tax losses, the limitation of the deductibility of interest and depreciation expenses and tax deductions.

## 7. OUTLOOK

The media industry is highly sensitive to trends in the main macroeconomic variables (i.e. GDP), consumption and, especially, the advertising cycle.

Advertising in Spain and Portugal continued to struggle in 2013, but the pace of decline in Spain slowed in the year's second quarter. This trend continued into the first quarter of 2014, which still showed declines, before ending the year with overall growth of 5.0%, according to a report by i2P. Accordingly, 2014 marked the first year of any meaningful growth in advertising spend since 2008. The same source (i2P) estimates further growth of 5.8% in 2015, with increases in all sectors. The Portuguese advertising market also rebounded in 2014.

In Latin America, GDP growth rates were mixed across countries. While the situation worsened in some, such as Brazil and Chile, growth gathered steam in others, such as Mexico and Colombia. According to IMF estimates, growth in these countries should continue to recover over the next few years. That said, the Group is exposed, in any event, to their macroeconomic parameters, where the outlook points to a potential deterioration in consumption as the scale of growth eases over the medium term.

The Group's results in Latin America in 2014 were hurt by the weakness of the region's currencies since mid 2013. The impact stabilised in the second quarter last year, although exchange rates have showed some volatility in recent months. Stripping out exchange-rate effects, results in Latin America showed increases in local currency in most countries.

Despite the Prisa Group's limited exposure to the performance of the advertising market given its diversified revenue mix (advertising revenues represented 33.7% of the total in 2014, excluding Canal+ revenues), those businesses that rely heavily on advertising show a higher percentage of fixed costs. Therefore, declines in advertising revenue for these companies have major implications for their earnings, leading to an erosion of the Group's margins and to deterioration in its cash position.

In Spain, the Group's advertising revenues slipped 2.8% in 2014, but excluding extraordinary items, they were stable and showed a positive change in trend in the fourth quarter. In Portugal, Media Capital delivered a 11.1% increase in advertising revenue from 2013 and consolidated the recovery of the advertising market that started in Portugal in the fourth quarter of 2013 (+4.3% in the fourth quarter).

In 2014, Latin America and the US represented 47.5% of the Group's revenues and 94.0% of its EBITDA (65.8% of the Group's adjusted EBITDA).

Prisa has other, less cyclical businesses that still show scope for growth, especially in Latin America. One example is Education, which contributed 49.3% of the Group's total revenues and 93.1% of its EBITDA in 2014 (65.2% of the Group's adjusted EBITDA). Revenue in Latin America fell 5.5% in the year (+6.4% assuming constant exchange rates). Efforts in the publishing business remain focused on expanding the digital education systems, above all in Mexico, Colombia and Brazil, whose revenues and EBITDA grew significantly in 2014. Campaigns in the South area on the whole were positive in local currency terms. The campaign in Spain delivered increases compared to 2013 despite the problems deriving from the implementation of the new law on education, thanks to commercial efforts and cost control.

Digital audience numbers rose sharply (94.3 million unique browsers at end-December 2014, up 12.8% from the year earlier). Going forward, 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.

Digital advertising revenues rose by 13.9% in 2014, with Press increasing its share of total advertising revenues to 29% (from 23% in December 2013).

Revenues from the pay TV business (recognised in the consolidated income statement under "Profit (loss) from discontinued operations") were stable in 2014, with growth in subscriber revenues from other platforms making up for the fall in revenues from satellite subscribers. EBITDA was down 15.6%, due mostly to higher football costs.

Against a backdrop of improvement in the economic situation in Spain and Portugal and growth in Latin America, despite a certain slowdown in some countries, cost cutting and control over capex remain a key priority for the Group. The aim is to minimise opex and use the resources freed up for growth businesses, such as Santillana, maintaining a strict cost-control policy and adapting productive structures to revenue performance in order to maintain the liquidity and profitability of the businesses.

The Group also continues to focus on executing its refinancing plan, and in 2014 carried out a series of transactions under the scope of its debt-reduction commitment, such as the placement of a package of shares of Mediaset España Comunicación, S.A., the capital increase subscribed by Consorcio Transportista Occher, S.A. de C.V., and debt buy backs at a discount of around 25% that led to a debt reduction of EUR 777 million. In 2014 the Group also reached an agreement to sell 56% of its stake in DTS. This sale transaction is subject to approval by the competition authorities of Spain that may impose conditions or commitments for the approval of the operation.

## 8. RESEARCH AND DEVELOPMENT ACTIVITIES

In view of the business activity carried on by the Company, it does not engage in research and development, but the Company heads a Group whose business areas are undergoing a rapid process of digital transformation.

During 2014, the press unit, through Prisa Noticias, has continued to drive growth in the Mobility area by launching new products, especially native applications.

El País has developed various applications for tablets: Babelia and El País Semanal which are available for Android, Google Play, and iOS (through Apple's Newstand). El Viajero, which already launched an app for both operating systems towards the end of 2013, has developed a new version (El Viajero 2015), with guides, reports, events diaries...

And the *El País Más* app, aimed at *El País* subscribers, has been launched with the aim of offering benefits and ensuring reader loyalty. Exclusive discounts and offers as part of an application featuring a personalized alert service by event categories and location.

For its part, *As* developed a specific application for the Brazil 2014 World Cup which was downloaded over 200,000 times in its first week. Also, an app for the *Pebble* smartwatch was published for the first time, which attracted some 600 downloads.

To coincide with the start of the BBVA football league, the *Guía de la Liga* application was updated with the calendars, live feeds, and league tables for all European football competitions. Including information on the teams and their players with comparison tools and statistics. The *Pebble* smartwatch app was also relaunched with information on the BBVA football league.

The *AS* editorial application (iPhone and Android), which has been on the market for over four years, has been completely revamped, in terms of its design and features, with video content becoming particularly important.

In June 2014, *Cinco Días* launched is Android app, which has currently been downloaded over 7,000 times. Work is currently underway on new versions for iOS.

*Meristation* commenced its web-responsive development, which will conclude in 2015, and published a specific app for the Samsung Smart TV.

Other apps developed for television, for the Vodafone set-up box, are those of *As*, *El País*, and *Cinco Días*.

In parallel to all of these developments, a new advertising platform has been optimized and integrated into all products, with the aim of making use of the space and making the apps as profitable as possible.

The importance of knowing our customers and the various groups which are of interest to the Prisa Noticias strategy resulted in the commencement, in 2013, of the project for the development of a customer-relations management (CRM) solution for the various brands operating as part of Prisa Noticias. During 2014, the CRM platform has been refined, consolidating the information from the various business areas in order to gradually define the cross-section view of the Prisa Noticias customer.

The importance of this change of perspective should be highlighted, shifting from subscription to the customer, including in the CRM not just products for which there is a subscription, but also interaction on our websites with the inclusion of the browsing profile of registered uses and their participation in competitions and promotions.

Once the information has been integrated, a new e-mail communications platform was also consolidated during 2014, which allows customer relations to be improved and feedback to be gathered from the results of the campaigns that have an effect on users' knowledge of our brands.

The ultimate objective is to have a core CRM platform on which to build up the operational, relationship, and analytical parts, assisting in the construction of a value offer that increases and safeguards the link between customers and customer revenues and our brands.

In radio, 2014 has been a year of great activity in the digital area, with five major development lines worth highlighting.

Following the definition performed in 2013, the new *Los 40 Principales* website was launched in Spain in February. This development features a web version and a special mobile output, given the rapid growth in access from mobile devices that is occurring.

Spain was the beta country, and following this launch, it was rolled out in Columbia in June, Chile in August, Mexico in October, and Argentina in December.

The new corporate digital platform for music radio was also launched in 2014. This development allows automatic adjustment to different screen sizes, and as such to mobile consumption environments. *Cadena Dial* was launched in July, *MáximaFM* in October, and *M80* in December, thereby giving priority to the main Spanish sites, while at the same time preparing an ambitious international roll-out plan for 2015.

And also in the music sector, *YesFM* was launched in 2014, an *à la carte* music platform based on the *freemium* business model (offering basic services for free, paid for by advertising, and charging for advanced services). In addition, it allows users to listen to live feeds of Prisa Radio music stations, offering playlists compiled by the radio stations themselves, by trend-setters, and by users. After some months of testing for this new music service, and given the changes in the industry, it was decided to abandon the pay model, and we are currently working on a redefinition of the product which will appear some time in 2015, focussing on free services and envisaged from the start as being a multi-country product.

The fourth development line focussed on the evolution of audio consumption via mobile devices. A new version of *ReplicApp* was launched in November, the corporate platform for the development of applications for all music and speech radio stations within the Group, and which featured innovations such as:

- New features: playlists, alarms, enriched news, local radio stations
- More possibilities for editorial control
- Multi-country capabilities
- Significant cost savings in development and maintenance

The launch was carried out for *Los 40 Principales* in its multi-country version, and this was followed by *Cadena Dial*, *MáximaFM*, and *Radio Caracol*. As with music radio, there is an ambitious international roll-out plan for this platform in 2015.

Finally, we should highlight the important digital project at *Cadena SER*, which was launched in October 2014. This project was considered to be pivotal in the transformation of its production and its adjustment to the digital environment, taking into consideration the following aspects of the definition of the product:

- New more attractive design and with output adapted to the mobile environment
- Greater browsing depth
- More multimedia content
- New sections and exclusive internet content
- More local content
- Focus on participation. Comments, conversation themes with the programmes, competitions, trivia, polls…
- *Play SER*. A new site for the consumption of live and *à la carte* audio, with automatic schedule splicing

Within the field of the production and broadcast of radio content, the plan for adapting the computer systems to the new business environment continued, with three main lines of activity:

- New broadcast platform (Dalet HD), which allows the broadcasting of traditional signals via new channels and the centralized management of services
- Development of the Production platform (Redact@), in order to allow the automated integration of the various channels (radio, web, and mobile), uniform schedule management, and the multimedia treatment of content
- New Content Management platform (Enciclomedi@)

With regard to Education, the group has maintained its focus on incorporating new technologies into both content solutions and educational services. The most significant initiatives were as follows:

- Progressive evolution of the technology platform (LMS) supporting the *UNO* and *Compartir* offers in order to incorporate improvements into the user experience, the delivery of content, and academic management features.

- Inclusion, as a pilot test, of a Student Information System (SIS) aimed at improving all aspects of teaching follow-up and organization as part of the *UNO* and *Compartir* offers in Mexico.

- Development of a 'Lesson Planning' tool in digital format.

- Renewal of the contract with *TWIG*, an educational video company, in order to launch its new Primary Education offer (*TIG-TAG*).

- Agreement with *Knewton*, an American company, for the development of a personalized book pilot product using adaptive learning technologies.

- Completion of the '*Sabery+*' project as a repository of digital content in order to support teaching and learning. Based on a semantic web system, it aims to make hundreds of lesson plans associated with syllabus topics available to schools, adding the resources of the publisher, a selection of the best free resources on the internet.

- Development of an evaluation platform (PLENO) to make both model tests and author tools and performance reports for their students available to teachers.

- Furthermore, the group has maintained the development and evolution of its content in digital format. In this regard, the new proposal from *Santillana España* with the '*Libronet*' format is significant, designed as an entirely-digital product without analogue equivalent.

## 9. TREASURY SHARES

Prisa has performed, and may consider performing, transactions with treasury shares. These transactions will always be for legitimate purposes, including:

- Undertaking treasury share acquisitions approved by the Board of Directors or pursuant to General Shareholders' Meeting resolutions.
- Covering requirements for shares to allocate to employees and management under stock option plans.

At December 31, 2014, Promotora de Informaciones, S.A. held a total of 12,076,666 treasury shares, representing 0.560% of its share capital.

Treasury shares are valued at market price at December 31, 2014 (0.258 euros per share). The average acquisition price stood at 0.273 euros per share.

At December 31, 2014, the Company did not hold any shares on loan.

## 10. SHARE PERFORMANCE

*Description of PRISA's shareholder structure.*

PRISA's share capital at 31 December 2014 consisted of 2,158,078,753 ordinary Class A shares. These shares are listed on the Spanish stock exchanges (Madrid, Barcelona, Bilbao and Valencia).

In 2014, the Company put into circulation 1,417,419 ordinary Class A shares arising from the mandatory conversion of Class B into Class A shares, the payment of the preferential dividend from these Class B shares in the form of Class A shares, the exercise of the warrants granted to holders of debt in the refinancing process signed in December 2013, the mandatory conversion of convertible bonds into shares and the capital increase subscribed by shareholder Consorcio Transportista Occher S.A

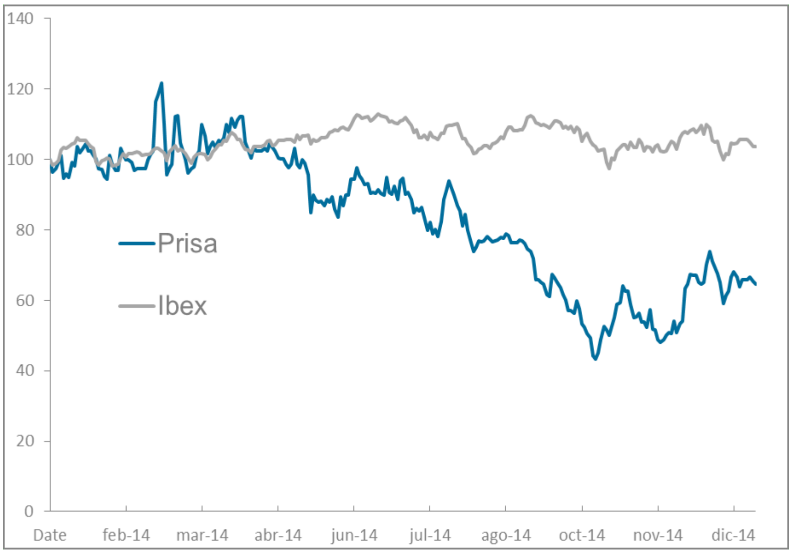
Following the changes in the Company's share capital in 2014, its main shareholders are Rucandio, Consorcio Transportista Occher S.A, HSBC, Santander, Caixa and Telefonica. Free float stands at around 50%.

*Share price performance*

PRISA ordinary Class A shares began 2014 trading at a price of EUR 0.39 per share (2 January 2014) and ended the year at EUR 0.26 per share (31 December 2014), implying a decline of 33.2%.

PRISA's share price performance was extremely mixed over the quarters, with an 8.8% increase in the first quarter, a 16.5% fall in the second, a 36.4% plunge in the third and a 12.2% gain in the fourth. Performance was heavily shaped by trends in the capital structure throughout the year.

The following chart shows the performance of the PRISA Group's Class A shares relative to the IBEX35 index in 2014, indexed in both cases to 100:




*Source: Bloomberg (2 January 2014, 31 December 2014)*

## 11. AVERAGE SUPPLIER PAYMENT TIME

The coming into force of Law 31/2014 of December 3, which amends Law 15/2010 of July 5, which in turn amended Law 3/2004 of December 29, which establishes measures to combat late payment in commercial transactions, also establishes the obligation for mercantile companies to specifically publish their average supplier payment time in the report to their financial statements, their management report and on their website.

With regards to this obligation, supplier payments to companies based in Spain during 2014 exceeded the legally established period by 19 days.
The company's directors will take the appropriate measures during the coming year to reduce the average supplier payment time to the levels permitted by the aforementioned law.

## 12. EVEN AFTER THE REPORTING PERIOD

In February 2015, Prisa announced the reduction of its stake in Mediaset below 3%. Part of the proceeds from these sales has been used to buy back a portion of its financial debt at a discount. This has been done by way of a Dutch auction process, aimed at its creditor banks, at an average discount of 25%.

The Board of Directors of PRISA held on February 27, 2015 has approved a capital increase for a total value of Euro 74,999,999.49, with an issue price (nominal value and share premium) of of Euro 0.53 per share. The share capital increase will be subscribed by International Media Group ("International Media Group") and fully disbursed by means of a capital contribution at the time of the subscription.

The capital increase will be formalized through the issuance of a total of 141,509,433 Class A shares, of Euro 0.10 nominal value each with a share premium of Euro 0.43 per share and excluding the pre-emption right for subscription of shares. This price represents a premium of 104 percent, approximately, on the average weighted price of the shares of PRISA during the last three months.

International Media Group Ltd. is a company fully owned by Sultan Ghanim Alhodaifi Al-Kuwari.

The capital increase is subject to (i) the obtaining of the obligatory report from the accounts auditor appointed by the Commercial Registry on the fair value of the shares, the book value ("valor teórico") of the pre-emption right for subscription of shares proposed to be excluded and the reasonableness of the data contained in the directors' report drafted for these purposes, and (ii) the completion of a legal and finance due diligence.