



Annual General Meeting 2017

Juan Luis Cebrián, Executive Chairman

Madrid, 30 June 2017

Ladies and gentlemen shareholders:

The board of directors of Grupo PRISA appears before you to account for the year ended December 2016. This year has been a year marked by the recovery in Spain, even as we witnessed the grave deterioration of the Latin American economy with the collapse in the value of their currencies, coupled with a severe political and economic crisis in Brazil. And, while these events negatively affected the performance of our businesses across the Atlantic, improving macroeconomic data and job creation in our country were simply not enough to restore the purchasing power lost by the middle classes over the past decade. The gap between the upper and the lower strata of the population has widened, with the latter, in general, seeing their living standards fall at a time of worsening social services as a result of cuts in public spending. In this highly uncertain environment, spending on advertising, which accounts for over 35 percent of our consolidated revenues, has continued to decline in Spain, and this fall has greatly affected our operations in Latin America, especially in Colombia, where we own and operate the country's chief radio broadcaster. Despite all this, the Group's EBITDA reached 281 million euros. Had the same, previous tax legislation applied, PRISA would have closed last year with a net profit of 17 million. But following his erratic and arbitrary policy, the minister Montoro decreed new tax and accounting rules in early December, the application of which involved driving many small and medium enterprises in our country into losses, including our own. The consolidated income of the Group was thus -68 million euros. Because of these legislative changes, these figures do not at all reflect the significant improvement of our business operations over the past year, the result of effective

management. The CEO will soon be explaining the results in greater detail and is available upon request to answer any queries in this regard.

This accounting peculiarity to which I have just referred, entirely in keeping with the legal uncertainty that the current government has introduced into some sectors of our economy, highlights once again just how right John Kenneth Galbraith was when insisted that, at the end of the day, the economy is but another branch of politics.

Thus, share price has fallen this year, despite the announcement that in the first quarter our company accounts had improved significantly, and indeed have continued to improve until today – when we expect EBITDA for the first half of the year to be up 30 percent over the same period last year. The share price of PRISA has plummeted in the past two months, with a trading volume that is seven times the average for the preceding year and with volatility caused by the existence of only a very small percentage of freely available shares – since eighty-five percent of company capital has been stably concentrated in just a few hands. False or tendentious headlines, often repeated with an incredible lack of professionalism by supposedly independent media, and unfounded theorizing on very damaging scenarios have led to great, but unjustified, distrust in the company. Defending transparency is precisely one of the main obligations of the authorities, especially among companies that are key to the financial system, but also, crucially, in those companies that are crucial for the development of independent public opinion and freedom, without which our democratic system could not work.

The contribution made by PRISA's companies to democratic coexistence, not only in Spain but in many countries in Latin America, is undoubtedly part of the social dividend of the company, to which a large percentage of our shareholders, minority or otherwise, is totally committed. That does not mean, of course, that our social dividend alone justifies the performance of management. The Board of Directors is firmly committed to restoring the profitability of our company, still damaged by high debt, and to dealing with a technological challenge of gigantic proportions, comparable to those which accompanied the invention of the printing press or steam engine. I want to reiterate, therefore, our determination to make the necessary divestitures, and to undertake any other operation necessary, to meet credit obligations, provided that we can count on the support of our own creditors, who are well aware of the company's history of compliance and the efforts of our shareholders, managers, employees and workers of the company to rebalance our books. Thanks to them, the support of shareholders and the tenacity and professionalism of our teams, in the last eight years we have amortized debt amounting to 3,435 million euros, we have paid 1,194 million euros in interest and costs to our creditors; we have sold assets worth 2,743 million, we have increased capital by 1,120 million and reduced current expenditures of the company by around 400 million, if we compare 2016 with 2009. Thus, we have always met and continue to meet our debt obligations, including bringing forward the established term to maturity. The only condition for all this is that our managers and the Board of Directors be allowed to work calmly and confidently. Because nobody could possibly fail to see that, as well as being a listed company, we are also a company of ideas, with wide influence in the political and social evolution of all those countries in which we operate. This has

prompted other social players, acting not merely on economic motives but also to fulfill their own agendas, to limit the independence of the media.

It is now more necessary than ever that society trust the management of our company, given the deep crisis affecting the traditional media model as a result of technological change that is affecting us just as it is affecting all our colleagues and competitors both inside and outside Spain. Falls of 70 percent in advertising and more than 50 percent in newspaper circulation have meant a reduction of revenue for EL PAÍS – of more than two hundred million a year – although the newspaper has maintained its market share in the traditional market, while almost exponentially multiplying its online presence, where it has 47 million unique users. EL PAÍS is today the 13th ranking newspaper worldwide and the world's No. 1 daily newspaper in Spanish. Despite the limitations hindering us from investing in new technologies, we can be proud that our star newspaper is one of the main platforms in the Spanish-speaking world and is better placed than any other to compete and win in the digital economy. Our company has a bright future in this area if we are able to invest in technology and human capital appropriate to the times we live in. That is why we are striving to balance our books as soon as possible and to build, in the short term, a stable capital structure that suits both the strategy we have undertaken and our own needs.

Increasing the Group's profitability and driving up the share price will inevitably also mean reducing its scope, and modifying a cost structure that belongs to the past, one that is impossible to maintain in the new digital economy. In this regard, the remuneration policy for the next three years that is being put forward for your

consideration at this meeting is merely a framework of reference. But both myself and the Board are firmly committed to adjusting the remuneration of its members to the circumstances of the company. Executive directors decided to give up 30 percent of our annual variable incentive in 2016, as we did in 2012 in its entirety. These are not an isolated or circumstantial events. Rather, they should be understood as a sign of the future. Even so, though we must be ready to adapt to the general market conditions and the specific conditions of the company, we must also remember that talent and responsibility must be properly rewarded.

An early resolution of the debt problem, a reduction in scope or perimeter, the implementation of a wages policy more in line with the situation, the dampened enthusiasm of the undermined professional teams, all cry out for an urgent change of cycle. This was understood by our CEO José Luis Sainz, who has reached an agreement with the company on his succession plan. José Luis has been linked to PRISA and its companies for decades. He has performed brilliantly and with absolute dedication to all kinds of tasks throughout the Group and he has been key in the past three years to a period of revival. Nevertheless, together we have decided that it is best for PRISA in these times that he renounce, from September, his duties as CEO. At this time of painful parting, I wish to express publicly my appreciation for his work, my admiration for his abilities, and my loyalty to him. And I hope to continue to count on his cooperation from outside the company.

To replace him on the Board of Directors, we have appointed the hitherto CEO of Prisa Noticias, Manuel Mirat. Manuel is a lawyer and economist, and has also

successfully held many different positions in our company over the last twenty years. He has overseen the digital transformation of the newspaper El País and is has coordinated like no other the integration into our company of new technologies. His profile as an innovative expert and visionary is behind our decision that he replace our outgoing CEO. PRISA's management team will certainly see in his appointment a sign of the times ahead and which can summarized in two words: continuity and change. Continuity in the excellence of our products, which are leaders despite the aforementioned difficulties in all sectors in which they operate, making us the No. 1 media and education group in Spanish. And change in the face of the necessary technological innovation, and new management and business models that we must embrace if we are to face the immediate future.

Ladies and gentlemen shareholders:

These are difficult times. Not one of our activities will be unaffected by technological change. But these are also times of opportunity, although it may seems insensitive to say so. And we're taking advantage. Our company remains a leader in all sectors in which it operates. And in a world of social turmoil, cultural disorientation and abuse of power, our media are an irreplaceable point of reference for millions of users and readers on both sides of the Atlantic. And not by chance. I said earlier that our raw material is talent. So too is our independence. On both of these we have built this company and upon these we must build the immediate future. The successful digital transformation of EL PAÍS, internationally recognized by our colleagues and competitors, serves as a model

and guide as we endeavor to undertake similar actions in other companies, and it was always envisaged as such. We are ready, and we believe the market is too, to begin charging for our online content and to develop a policy of big data that allows us to substantially increase digital revenue. We are also going to see in the near future a process of consolidation of media companies, and we want to not merely be present in this process but to lead it. The prerequisite is therefore to balance our books and stabilize the shareholder base. Otherwise we would be defrauding the thousands of shareholders, employees and collaborators of our companies, all of whom have suffered painful restructuring, as painful as it was necessary. To each and every one of them and especially to the millions of users and customers of our products, we owe immense gratitude for the strength of their support and loyalty, steadfast in adversity and in the face of conspiracies. And very soon, in this financial year, they shall see rewarded their unwavering solidarity with our group of companies and what these companies truly mean from all points of view.

Thank you



Annual General Meeting 2017

José Luis Sainz, Chief Executive Officer

Madrid, 30 June 2017

Ladies and gentlemen shareholders, dear friends:

As the Executive Chairman mentioned in his speech, we are at a crucial time for the Group. Over the coming months, momentous decisions will be made that will affect the size and scope of the Group, that will lead to a drastic reduction of debt and to an organization capable of meeting the challenges posed by the new social and economic paradigm in which we operate.

PRISA faces the future with optimism and enthusiasm. The Group has taken advantage of the last decade of crisis, deep crisis, to restructure its businesses, to reduce costs, to learn from past mistakes, and also to consolidate a growth model based fundamentally on two key levers: leadership in the creation and distribution of digital content, and international expansion.

All of PRISA's divisions earn money and have returned to pre-crisis levels of profitability. The formidable strength of our brands and products has allowed us to weather the storm much better than our competitors, despite the limitations imposed by our substantial debt.

The turning point in the Group's fortunes took place in 2014, the worst year since the crisis began in 2008. The first year to see recovery was 2015, in which adjusted EBITDA grew to 289 million; the second, 2016, saw EBITDA of 299 million at constant exchange rates. We expect this recovery to continue in 2017, in line with figures published in the first quarter, as well as with those available to date, all of which point to significant growth by the end of the year.

All this has taken place under adverse circumstances, amid a drop in revenues in the Iberian Peninsula, a slowdown of growth in Latin America and the impact of technological disruption on the media, especially the press.

Hand in hand with a committed restructuring of the businesses (including sales and closures) we have undertaken a complete overhaul of professional profiles, taking advantage of payoffs and generational change.

PRISA is a global group, where international operations have an increasingly important weight. 59% of our revenues, 78% of EBITDA and 63% of our human resources come from international operations.

The strong performance of our Education and Radio businesses in the Americas has offset the fall in revenues in the Iberian Peninsula over the last decade, with the region accounting for 44% of the total. Cost reduction (425 million) has absorbed more than 70% of this fall in activity; and, specifically, staff costs were cut by 40% through layoffs and wage adjustments.

EBITDA grew 0.2% in 2016, reaching 249 million euros, and EBIT was up by 10.5% to 133 million.

Similarly, thanks to the progressive reduction of debt, our financial result was up by 22 million euros, or 20%.

The net result has worsened compared to 2015 due to the negative fiscal impact caused by the application of the Royal Decree of 3 December 2016, which introduced a series of tax measures of a permanent nature with regards to corporation tax.

On top of the adjustments resulting from this Decree, must be added the decision of the Supreme Court which obliges PRISA to apply the pro rata VAT rule to the tax years from 2004 to 2011.

Together, both events have meant that instead of growing up to 17 million euros, the final net result was negative 68 million. The impact, however, has been on accounting, and has not required any cash movement.

If we look deeper into the results, adjusting for extraordinary operations – chiefly compensation payments to personnel, and discounting exchange rates, whose weight was significant during the period – the figures show revenue growth of 2.6% to 1,433 million, of EBITDA to 299 million euros (up 3.6%) and of EBIT to 189 million (9%), with margins improved compared to the previous year.

The most significant events for the Group in 2016 include the following:

- All businesses enjoyed good operating performance except for Radio.
- Digital revenue accounted for 15% of total revenues and continued to grow, reaching 216 million euros.

The weight of digital advertising on total advertising now represents 40% for El País and 66% for AS.

UNO and COMPARTIR totaled 868,000 students, a figure that is set to reach 1 million in 2017.

- Exchange rate fluctuations negatively impacted results during the year, reducing revenues by 63 million and EBITDA by 17.7 million.
- The countries most affected were those of the Pacific coast and, above all, Brazil and Argentina.

- Ongoing efforts at cost cutting (an extraordinary plan was implemented covering 47 million).
- Cash generation remained in line with the Group's plans.
- Consolidated debt was reduced to 1,486 million euros.

If we analyze individually each of the core businesses, we could make the following assessments:

Education saw revenues in local currency rise by 5% to 677 million euros and EBITDA by 14% to reach a total of 195 million. This is its best ever result, and contrasts with the poor results reported by some of its major international competitors.

Among the campaigns in the Southern region, Brazil clearly stands out, having maintained its revenue thanks to strong institutional sales compared to regular sales, which fell 15% with the transfer of pupils to public education.

Another country worth mentioning is Peru, which has contributed positively as a result of unanticipated primary and secondary level tenders. These have brought in 33 million euros in revenues and boosted EBITDA by 15 million euros.

Campaigns in the Northern area have declined slightly. In Spain, 2016 saw the implementation of the second phase of the educational reform bill, first passed in 2013. Although turnover has decreased compared to the magnificent results posted in 2015, sales have exceeded expectations and market share has grown.

Results were down in Mexico due to lower institutional sales and the delayed reform of the Education Act.

We should also highlight vigorous cost cuts in most countries, amounting to more than 20 million euros.

Digital learning systems now account for nearly 20% of total revenues and contribute increasingly to the profitability of this area.

In Mexico, UNO is leader among learning systems.

In Brazil, UNO continues to grow despite the economic crisis, the return of students to public education and the high level of competition. In order to bolster this business line, an agreement was reached with Farias Brito, a prestigious

publisher, which in 2016 alone brought in 40,000 additional students.

The economic difficulties in Mexico and especially in Brazil are delaying the development of UNO, with growth of 3% in the number of students, compared with the mixed and cheaper model offered by COMPARTIR, which saw growth of 10 % in the 15 countries where it is up and running.

In September 2016, the purchase of NORMA was completed. The cost of this operation was 14.3 million euros. The integration process has been rapid and sales during 2017 have been better than anticipated, with growth in excess of 10%.

EBITDA for Radio fell by 22% to 58 million euros, clearly reflecting difficulties in Spain and especially in Colombia.

With regards to Spain, advertising revenues fell by 3.5%, with falls for both national advertising (5.0%) and local advertising (3.2%). This drop may be attributed to political uncertainty and institutional investment cuts as well as spending cutbacks at a Spanish regional government level.

After years of sustained growth, the fall in EBITDA in Colombia amounted to 14 million. We have witnessed a perfect storm: a historical downturn in the advertising market, of more than 12%, a lack of political advertising compared to 2015, macroeconomic instability and institutional advertising cuts. But there were also internal management problems, which have since been addressed with a new management team and the adoption of drastic cost-cutting measures coupled with new sales and marketing policies.

Advertising in Spain in 2017 is proving to be very different, with the year seeing significant growth for national advertising (up more than 9% to May) plus cost cutting, and in Colombia, where we expect to return to results last seen in 2015 later this year.

Other countries performed well. Chile grew by 5.8%, Argentina, following the integration of operations with the group Albavisión, by 40% and finally, Mexico, which saw revenue and profitability climb following the association of new stations to the network the previous year.

Radio will continue with divestments in countries where the size of the market or of our operations is not sufficient for a profitable return. For example, in 2016 we sold the syndication business in the USA (GLR Networks) and RLM, the artist management management company.

PRISA Radio, with a daily audience of 25 million listeners, has maintained its audience lead in all the countries where it operates, while implementing a major transformation process affecting all major music formats, sports programming and content produced for the Internet, which boasts 160 million downloads. Major highlights include the launch of Podium, an outstanding content platform, which is set to generate positive results despite being in its first year of operation.

In Press, in terms of copy sales, revenue was down 5% due to a fall in circulation for EL PAÍS and AS, partly offset by an increase in cover prices.

EL PAÍS closed 2016 with an average circulation of 194,000 copies, making it market leader. Only two general-interest newspapers have a circulation exceeding 100,000 units (last year there were 5). AS had a circulation of 126,000 copies, just 13,000 behind Marca.

Print advertising fell by 9% in 2016, offset by higher revenues from online advertising (15%) and events (61%), most notably those held to mark the celebration of the 40th anniversary of El País.

It is striking indeed to witness the progressive abandonment of print media by advertisers, who are concentrating their investments in other media whose effectiveness remains to be seen.

EBITDA grew by 2%, consolidating the trend that started in 2015. The cost-cutting plan undertaken during 2016 – of more than 10 million euros – helped to achieve a positive EBITDA of 17 million euros.

Almost 50% of EL PAÍS and AS traffic is of international origin. The former has become the undisputed leader in its category and a global benchmark. The figures speak for themselves: 80 million browsers to May (41% more than in December 2016) and its ranking among the top five digital media in most Latin American countries.

EL PAÍS is the top-ranking digital news media outlet in Spain, with 18.7 million unique users in May. It also ranks first in the world for news in Spanish.

Noteworthy in this regard is video consumption, with an average of 88 million monthly views in 2017, growing 4.75 times compared to the previous year. In May a record was broken, with 106 million views (5 times the figure of the previous year).

AS has become the leading digital media outlet for sports in all those countries where local editions have been launched: in Mexico, Colombia and Chile. And it ranks first in Latin America. Moving forward, there'll be new projects in other

geographical areas as well as greater audiovisual deployment.

As you can see, extraordinary growth across the board.

And that brings us to the ongoing rumors of industry consolidation. Clearly, it is not possible to maintain existing business models. What's more, profitability has collapsed. Many newspapers survive thanks to subsidies and indirect financing or are in the hands of foundations. The structural decline in circulation should spur us towards a process of definitive consolidation of distribution companies and printing plants (those that remain). We must only commit ourselves to operations that bring with them effective synergies, basically those enabling cost cuts and that involve procurement or purchases and new models for selling advertising.

Media Capital is one of the PRISA companies to have best coped with the crisis, maintaining a stable result despite sharp declines in advertising. This has been made possible thanks to the ability of the management team to develop new revenue streams, value-added phone calls and new thematic channels.

In 2016, Media Capital revenues remained stable. Lower revenues from calls (22%) have been offset by growth in advertising for TVI (4%), radio (6%) and Internet (14%), and higher revenue from sales and channels on pay-TV platforms.

EBITDA grew by 2%, reaching a total of 43 million euros.

The goal of Media Capital has been to maintain its lead in radio and television audiences, a position it holds solidly both in prime time and 24 hours a day.

In addition to TVI, six pay-TV channels are produced, two of which were launched in 2016 – one broadcasting reality shows, and another for soaps or *telenovelas*.

We are committed to audiovisual production for both conventional television as well as for the new digital channels and OTR consumption. This business line was affected by organizational changes after the death, midyear, of the Managing Director, Elena Sánchez, whom I would like to pay tribute to at this meeting. The strategy is built on solid foundations, and the results will begin to become evident throughout 2017.

Let me now turn to the process of refinancing our debt and strengthening capital during the past year.

In 2016, 88 million in debt was canceled, using the remaining funds from the sale of DTS, at an average discount of 14.8%, and another of 20 million euros at par.

With part of the proceeds from the IMG-subscribed capital increase, we amortized 33 million of the participatory loan at an average discount of 23.2%.

In addition, in April 2016, the meeting of Prisa shareholders approved an agreement with some of our major creditors for the issue of mandatorily convertible bonds into Prisa shares worth 100 million euros.

With these operations, PRISA's debt during 2016 was reduced by 173 million euros to 1,486 million, easily covering the covenants.

Ladies and gentlemen, as the Executive Chairman has already announced in his speech, I will be leaving the company next September. My departure is part of the implementation of the succession plans drawn up by the Board of Directors and disclosed at the shareholders' meeting last year.

The challenges described this morning regarding the future of the company require a robust shareholder structure with common cause, one that is able to lead the process, and a management team sufficiently supported and granted the leeway to do their job.

During these three years as CEO, in an environment full of uncertainties and crisis, we have focussed all our efforts on building a new story for PRISA, one that is digital and international, in short, global; we've focussed on business restructuring, letting go of unprofitable businesses or those with no future and concentrating on those that really add value, thereby, improving the income statement.

I wish to thank Juan Luis Cebrián, Executive Chair of PRISA, for the trust he placed in me when I was offered the position of CEO, for his confidence in me that has remained strong until this day, for making my job easier and always making me feel supported. It has been a very rewarding experience and a pleasure to have worked alongside him.

Secondly, I wish to extend my gratitude to the Board of Directors of PRISA, a truly formidable group of professionals whose experience and judgment have improved reflection, analysis and decision making within the company.

I'd also like to thank you, our shareholders who have seen your investments deteriorate in recent years and without whose support – and not merely financial – there would be no PRISA.

Finally, I would like to address the extraordinary team who make up PRISA, both those who have worked closely with me and all those who make up this great family. The chief asset of PRISA is people, the raw material is their talent, which

they throw into their work every day to inform, interpret the world around us, educate us, move us, entertain us ... And always with such passion, even though the conditions under which they perform their work have deteriorated significantly. It is difficult to describe the links and bonds which are forged in these kind of companies, companies with such strong organizational cultures and such a strong social commitment as PRISA's. I'm going to miss you all.

Thank you very much.