

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

Financial Statements and Directors' Report  
for 2007, together with Auditors' Report

*Translation of a report originally issued in Spanish based on our work performed in accordance with generally accepted auditing standards in Spain and of financial statements originally issued in Spanish and prepared in accordance with generally accepted accounting principles in Spain (see Note 27). In the event of a discrepancy, the Spanish-language version prevails.*

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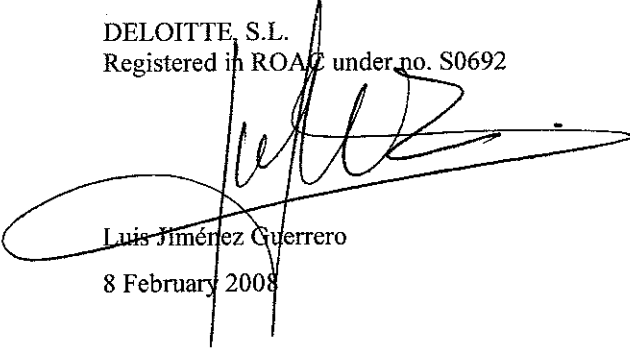
## AUDITORS' REPORT ON FINANCIAL STATEMENTS

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

1. We have audited the financial statements of PROMOTORA DE INFORMACIONES, S.A. (PRISA) comprising the balance sheet at 31 December 2007 and the related income statement and notes to the financial statements for the year then ended. The preparation of these financial statements is the responsibility of the Company's directors. Our responsibility is to express an opinion on the financial statements taken as a whole based on our audit work performed in accordance with generally accepted auditing standards, which require examination, by means of selective tests, of the evidence supporting the financial statements and evaluation of their presentation, of the accounting policies applied and of the estimates made.
2. As required by Spanish corporate and commercial law, for comparison purposes the directors present, in addition to the 2007 figures for each item in the balance sheet, income statement and statement of changes in financial position, the figures for 2006. Our opinion refers only to the 2007 financial statements. On 16 February 2007, we issued our auditors' report on the 2007 financial statements, in which we expressed an opinion qualified for a matter similar to that described in paragraph 3 below.
3. PROMOTORA DE INFORMACIONES, S.A. (PRISA), as the head of a Group, presents consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRSs). On this same date we issued our auditors' report on the aforementioned 2007 consolidated financial statements, in which we expressed an unqualified opinion. Based on the content of those consolidated financial statements prepared in accordance with EU-IFRSs, the total volume of consolidated equity amounts to EUR 1,353,547 thousand, the consolidated profit for the year totals EUR 191,973 thousand and the total volume of assets and sales amounts to EUR 6,526,360 thousand and EUR 3,696,028 thousand, respectively. Also, as indicated in Note 4-d to the accompanying financial statements, the Company's directors measure the investments in Group companies and associates at the lower of acquisition cost and underlying carrying amount adjusted, where appropriate, for the amounts of goodwill existing at 31 December 2007 in the Group's consolidated financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union, since they consider that in this way the value of the equity investments is reflected on a uniform basis in both the individual financial statements and the Group's consolidated financial statements. However, the Company should have valued these investments in accordance with the Spanish National Chart of Accounts and with the Spanish technical accounting standards relating to the methods to be applied to reflect in the measurement of the investments recognised under "Long-Term Investments" the effect of the amortisation of the goodwill existing at the balance sheet date. Had the aforementioned methods been applied, the balance of "Change in Investment Valuation Allowances" in the income statement for 2007 would have increased by EUR 59,122 thousand and the balance of "Extraordinary Expenses – Prior Years' Expenses and Losses" in the income statement for 2007 would have increased by EUR 82,799 thousand.

4. In our opinion, except for the matter indicated in paragraph 3 above, the accompanying financial statements for 2007 present fairly, in all material respects, the net worth and financial position of PROMOTORA DE INFORMACIONES, S.A. (PRISA) at 31 December 2007 and the results of its operations and the funds obtained and applied by it in the year then ended, and contain the required information, sufficient for their proper interpretation and comprehension, in conformity with generally accepted accounting principles and standards applied on a basis consistent with that of the preceding year.
5. The accompanying directors' report for 2007 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 2007. 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 Company's accounting records.

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



Luis Jiménez Guerrero

8 February 2008

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

Financial Statements and  
Directors' Report for 2007,  
together with Auditors' Report

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

Individual Financial Statements  
and Directors' Report for 2007

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

Individual Financial Statements  
for 2007

PROMOTORA DE INFORMACIONES, S.A. (PRISA)  
BALANCE SHEETS AT 31 DECEMBER 2007 AND 2006  
(Thousands of Euros)

ASSETS	31/12/07	31/12/06	SHAREHOLDERS' EQUITY AND LIABILITIES	31/12/07	31/12/06
<b>A) NON-CURRENT ASSETS</b>	<b>3,219,653</b>	<b>2,980,157</b>	<b>A) SHAREHOLDERS' EQUITY (Note 12)</b>	<b>915,922</b>	<b>836,339</b>
I. START-UP EXPENSES	172	-	I. SHARE CAPITAL	22,036	21,881
II. INTANGIBLE ASSETS (Note 5)	10,879	6,559	II. SHARE PREMIUM	128,891	108,369
1. Concessions, patents and other	60	60	III. REVALUATION RESERVE 1983	3,289	3,289
2. Computer software	13,236	4,926	IV. REVALUATION RESERVE ROYAL DECREE-LAW 7/1996	10,650	10,650
3. Advances and intangible assets in progress	2,553	5,204	V. RESERVES	640,775	554,403
4. Accumulated amortisation	(4,970)	(3,631)	1. Legal reserve	4,376	4,376
III. TANGIBLE FIXED ASSETS (Note 6)	3,421	4,178	2. Reserves for treasury shares	39,101	38,881
1. Land and buildings	310	310	3. Bylaw-stipulated reserves	10,941	10,941
2. Other fixtures and furniture	3,809	3,655	4. Reserve for retired capital	1,373	1,373
3. Other items of property, plant and equipment	4,799	4,625	5. Other reserves	584,984	498,832
4. Accumulated depreciation	(5,497)	(4,412)	VI. PROFIT FOR THE YEAR	110,281	137,747
IV. LONG-TERM INVESTMENTS (Note 7)	3,166,080	2,930,539	B) DEFERRED INCOME	2	2
1. Investments in Group companies	2,952,974	2,822,192	C) PROVISIONS FOR CONTINGENCIES AND CHARGES (Note 13)	51,198	43,799
2. Investments in associates	48,661	48,661	D) NON-CURRENT LIABILITIES	2,061,273	1,630,313
3. Long-term investment securities	6	6	I. PAYABLE TO GROUP COMPANIES AND ASSOCIATES (Note 14)	230,482	215,179
4. Deposits and guarantees	4,335	-	II. BANK BORROWINGS (Note 15)	1,812,988	1,415,000
5. Advances on long-term investments	424,614	293,209	III. PAYABLE TO PUBLIC AUTHORITIES (Note 16)	17,803	134
6. Other receivables	(264,510)	(265,357)	E) CURRENT LIABILITIES	541,897	806,713
7. Allowances for investments in Group companies and associates	39,101	38,881	I. PAYABLE TO GROUP COMPANIES AND ASSOCIATES (Note 14)	276,324	177,177
V. TREASURY SHARES (Note 8)	12,471	12,254	II. BANK BORROWINGS (Note 15)	238,514	607,758
B) DEFERRED EXPENSES (Note 9)	338,168	324,755	III. TRADE PAYABLES	10,680	5,207
C) CURRENT ASSETS	39,226	67,306	IV. OTHER NON-TRADE PAYABLES	16,379	16,571
I. ACCOUNTS RECEIVABLE	183	7,086	1. Payable to public authorities (Note 16)	806	804
1. Trade receivables for services	31,622	28,824	2. Other payables	15,573	15,767
2. Receivable from Group companies and associates (Note 10)	6,751	30,980	TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	3,570,292	3,317,166
3. Receivable from public authorities (Note 16)	670	416			
4. Other receivables	296,652	254,658			
II. SHORT-TERM INVESTMENTS (Note 11)	2,089	2,068			
III. CASH	201	723			
IV. ACCRUAL ACCOUNTS					
TOTAL ASSETS	3,570,292	3,317,166			

The accompanying Notes 1 to 27 and Appendices I, II and III are an integral part of the balance sheet at 31 December 2007.

Translation of financial statements originally issued in Spanish and prepared in accordance with generally accepted accounting principles in Spain (see Note 27). In the event of a discrepancy, the Spanish-language version prevails.

PROMOTORA DE INFORMACIONES, S.A. (PRISA)  
INCOME STATEMENTS FOR 2007 AND 2006  
(Thousands of Euros)

DEBIT		2007	2006	CREDIT		2007	2006
<b>A) EXPENSES</b>				<b>B) INCOME</b>			
1. Staff costs:		17,422	15,292	1. Revenue:		185,884	187,588
a) Wages, salaries and similar expenses		16,109	14,221	a) Services (Note 17)		19,864	16,750
b) Employee benefit costs		1,313	1,071	b) Income from equity investments (Note 17):		166,020	170,838
2. Depreciation and amortisation charge		2,481	2,862	Group companies		166,020	170,838
3. Other operating expenses:		20,826	16,180	2. Work on non-current assets		1,410	487
a) Outside services		20,898	16,139				
b) Taxes other than income tax		(72)	41				
<b>I. PROFIT FROM OPERATIONS</b>		<b>146,565</b>	<b>153,741</b>				
4. Finance and similar costs:		119,070	59,530	3. Other interest and similar income:		16,573	9,452
a) On debts to Group companies (Note 17)		10,988	5,789	a) From loans to Group companies and associates (Note 17)		13,956	5,896
b) On debts to third parties and similar expenses		108,082	53,741	b) Other finance income		2,617	3,556
<b>III. PROFIT FROM ORDINARY ACTIVITIES</b>		<b>44,068</b>	<b>103,663</b>	<b>II. FINANCIAL LOSS</b>		<b>102,497</b>	<b>50,078</b>
6. Change in investment valuation allowances (Notes 7 and 13)		9,995	67,843	4. Gains on non-current asset disposals (Note 17)		1	98
7. Losses on non-current assets		-	1	5. Gains on transactions involving treasury shares (Note 8)		-	5,810
8. Extraordinary expenses (Note 17)		5,681	3,238	6. Extraordinary income (Note 17)		1,159	4,816
<b>V. PROFIT BEFORE TAX</b>		<b>29,552</b>	<b>43,305</b>	<b>IV. EXTRAORDINARY LOSS</b>		<b>14,516</b>	<b>60,358</b>
8. Income tax (Note 16)		(80,729)	(94,442)				
<b>VI. PROFIT FOR THE YEAR</b>		<b>110,281</b>	<b>137,747</b>				

The accompanying Notes 1 to 27 and Appendixes I, II and III are an integral part of the income statement for 2007.



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

Notes to the Individual Financial Statements  
for 2007

*Translation of financial statements originally issued in Spanish and prepared in accordance with generally accepted accounting principles in Spain (see Note 27). In the event of a discrepancy, the Spanish-language version prevails.*

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

### **NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS**

**FOR 2007**

#### **1.- COMPANY DESCRIPTION**

Promotora de Informaciones, S.A. ("Prisa") was incorporated on 18 January 1972 and has its registered office in Madrid, at calle 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 activities carried on by the Company, it does not have any environmental liability, expenses, assets, provisions or contingencies that might be material with respect to its net worth, financial position or results. Therefore, no specific disclosures relating to environmental issues are included in these notes to the financial statements.

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

##### **Fair presentation**

The financial statements, which were prepared from the Company's accounting records, are presented in accordance with the Spanish National Chart of Accounts and, accordingly, present fairly the Company's net worth, financial position and results of operations. The financial statements for 2007, which were authorised for issue by the 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 financial statements for 2006 were approved by the shareholders at the Annual General Meeting on 22 March 2007.

Royal Decree 1514/2007 was published on 20 November 2007. This Royal Decree approved the new Spanish National Chart of Accounts that came into force on 1 January 2008, which must be applied for all periods beginning on or after that date.

Under the aforementioned Royal Decree, the first financial statements prepared in accordance with the rules contained therein will be considered to be initial financial statements and, accordingly, they will not include comparative figures for the previous period; however, comparative figures for the preceding period may be presented provided

that they are adapted to the new Chart of Accounts. Also, the Chart of Accounts contains several transitional provisions which afford various options in the first-time application of the new accounting standards and provide for the voluntary adoption of certain exceptions in the first-time application process.

The Company is implementing a transition plan with a view to adapting to the new accounting standards which includes, inter alia, analysing the differences in accounting rules and standards, determining whether or not comparative figures adapted to the new standards will be presented and, consequently, the date of the opening balance sheet, selecting the accounting rules and standards to be applied in the transition and assessing the changes that have to be made to the information systems and procedures.

### 3.- DISTRIBUTION OF PROFIT

The distribution of the net profit for 2007 proposed by the Company's directors is as follows (in thousands of euros):

	Amount
<b>Distributable profit-</b>	
Profit for the year	110,281
<b>Distribution-</b>	
Dividends (EUR 0.184 per share)	38,542
Directors' remuneration	1,386
To legal reserve	31
To bylaw-stipulated reserves	77
To voluntary reserves	Remainder

The dividend per share, disregarding the treasury shares of Promotora de Informaciones, S.A. but including the shares delivered on loan (*see Note 14*), will be EUR 0.184 per share. No interim dividend out of 2007 profit was approved.

### 4.- ACCOUNTING POLICIES

The principal accounting policies used by the Company in preparing its financial statements for 2007 were as follows:

#### a) Start-up expenses

Start-up expenses, which comprise incorporation, pre-opening and capital increase expenses, are recorded at the costs incurred in respect of public deed and registration expenses, transfer tax and lawyers' fees.

Start-up expenses are amortised at an annual rate of 20%. EUR 34 thousand were charged to the accompanying income statement in this connection.

## b) Intangible assets

"Computer Software" includes the amounts paid to develop specific in-house computer programs and the amounts incurred in acquiring from third parties the licences to use programs. Computer software is amortised over a period ranging from four to six years, depending on the type of programme, from the date on which it is brought into service.

## c) Tangible fixed assets

Tangible fixed assets acquired prior to 31 December 1996 are carried at cost, revalued pursuant to the applicable legislation, the most recent being Royal Decree-Law 7/1996, of 7 June, on asset revaluations. Subsequent additions are stated at cost.

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

Upkeep and maintenance expenses are charged to the income statement as incurred.

Tangible fixed assets are depreciated on a straight-line basis at annual rates based on the years of estimated useful life of the related assets, the detail being as follows:

	Years of Useful Life
Buildings	50
Other fixtures and furniture	10
Other tangible fixed assets	4-10

## d) Long-term investments

As the head of the Group, the Company prepares consolidated financial statements. The consolidated financial statements for 2007 were prepared pursuant to Final Provision Eleven of Law 62/2003, of 30 December, 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 2007, prepared in accordance with IFRSs, are as follows:

	Thousands of Euros
Total assets	6,526,360
Equity	1,353,547
Profit for the year	191,973

The Company measures its investments in Group companies and associates and its long-term investment securities at the lower of acquisition cost and underlying carrying amount, adjusted by the amount of the goodwill disclosed at the time of the acquisition and still existing at the date of subsequent measurement in the Group's consolidated financial statements prepared in accordance with IFRSs, and recognises the related allowance, where appropriate. Accordingly, the measurement basis used is consistent with that used in the Group's consolidated financial statements.

Of the provisions recognised at 31 December 31 2007, EUR 7,402 thousand were recognised under "*Provisions for Contingencies and Charges*" (see Notes 4-h and 13).

The future profits of the companies will enable the recovery, where appropriate, of the acquisition costs paid in excess of the underlying carrying amounts of the investments in these companies.

#### **e) Treasury shares**

Treasury shares are measured at the lowest of the following values: acquisition cost, year-end market price, average market price in the last quarter or underlying carrying amount. An allowance is recorded for the difference between the acquisition cost of the treasury shares and the lowest of the three other values. This allowance is presented as a reduction of the acquisition cost under "*Treasury Shares*" in the accompanying balance sheet. At 31 December 2007, it was not necessary to record any allowance in this connection.

#### **f) Deferred expenses**

"*Deferred Expenses*" in the balance sheet includes the arrangement fees relating to the financing instruments arranged by the Company (loans, credit facilities and bonds). These charges are taken to income on a straight-line basis over the term of the financing instruments to which they relate.

#### **g) Short-term investments**

Short-term non-trade loans are recognised at the amount delivered, plus the related accrued interest receivable at year-end.

#### **h) Provisions for contingencies and charges**

"*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 fulfilment 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 whose net-worth equilibrium must be restored by their shareholders. The additions to this provision are recognised, with a charge to "*Change in Investment Valuation Allowances*" in the accompanying income statement, when

the obligation giving rise to said provision arises. Excessive provisions or the full amount of the provision are reversed when the risk is reduced or disappears (*see Notes 4-d and 13*).

#### **i) Termination benefits**

Under current labour legislation, the Company is required to pay termination benefits to employees terminated under certain conditions. The Company records the required provisions when the termination decision is made.

Company management does not envisage any terminations making it necessary to record a provision in this connection.

#### **j) Current/non-current classification**

Debts are recognised at their effective amount and debts due to be settled within 12 months from the balance sheet date are classified as current items and those due to be settled within more than 12 months as non-current items.

#### **k) Income tax**

The income tax expense or revenue for the year was calculated by obtaining the gross tax payable by application of the tax rate to accounting profit before tax, adjusted by the amount of any positive or negative permanent differences, including those arising from tax consolidation adjustments. Subsequently, the gross tax payable was reduced by the applicable tax relief and tax credits, excluding tax withholdings and prepayments.

The Company has availed itself of the special consolidated tax regime regulated by Chapter VII of Title VII of the Consolidated Spanish Corporation Tax Law approved by Legislative Royal Decree 4/2004, of 5 March, as the parent of consolidated tax group 2/91.

As a result of timing differences, the Company recognises deferred tax assets and deferred tax liabilities, as appropriate, for the difference between the income tax payable and the tax expense recognised. Deferred tax assets are recognised at the tax rates in force, pursuant to tax legislation, in the period when the assets are expected to be realised, provided that there is no reasonable doubt as to their recovery. Deferred tax liabilities are recognised in all cases, also using the tax rates in force in the years in which they are due to be settled.

The Company, as the parent of the group, records the tax consolidation adjustments, recognising the timing differences and recording the related deferred tax asset resulting from the change in the investment valuation allowance relating to the Company's investments in entities included in the consolidated tax group, provided that the recovery of the provisions recorded can be expected.

In order to recognise the tax expense in the appropriate year, and since the Company's directors consider that there are no reasons to doubt that the consolidated tax group will recover the tax asset arising from the unused tax credits, the Company recognises the tax asset under "*Long-Term Investments – Other Receivables*" in the accompanying balance sheet.

### **l) Foreign currency transactions**

Foreign currency on hand and receivables and payables denominated in foreign currencies are translated to euros at the exchange rates ruling at the transaction date. Any resulting exchange differences are taken to income for the year.

At year-end, foreign currency on hand and receivables and payables in foreign currencies are translated to euros at the year-end exchange rates, and any resulting exchange losses are taken to income. Exchange gains on the same balances, if they are not offset against prior years' exchange losses, are recognised under "*Deferred Income*" in the balance sheet.

Exchange gains deferred in prior years and those arising in the current year are credited to income in the year in which the related accounts payable and receivable fall due, except when the result at maturity is guaranteed by means of hedging transactions, in which case they are taken to income in the current year.

### **m) Revenue and expense recognition**

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

However, in accordance with the accounting principle of prudence, the Company only recognises realised revenue at year-end, whereas foreseeable contingencies and losses, including possible losses, are recognised as soon as they become known.

### **n) Hedging instruments**

The Company takes out exchange rate (mainly currency forwards and options) and interest rate hedging contracts. At the reporting date the contracts in force were valued by comparing, for each contract on a case-by-case basis, the agreed-on price with the market value of each currency and the reference interest rate at that date.

At 31 December 2007, the Company had both interest rate hedging contracts (*see Note 15*) and exchange rate hedging contracts in force. The loss on the hedging contracts at 31 December 2007 amounted to EUR 1,720 thousand, and this amount is included under "*Finance and Similar Costs*".

### **o) Working capital**

In 2007 the Company's current liabilities exceeded its current assets, mainly as a result of the financing received from Group companies (*see Note 14*) and the balances payable in 2008 in relation to the syndicated loan (*see Note 15*). The Company's directors consider that the financing restructuring that will be performed in 2008 once the takeover bid for Sogecable, S.A. (*see Notes 7 and 15*) has been completed will enable this debt to be reclassified to non-current liabilities.

## 5.- INTANGIBLE ASSETS

The transactions recorded in 2007 in intangible asset accounts and the related accumulated amortisation are summarised as follows (in thousands of euros):

	Balance at 31/12/06	Additions	Transfers	Balance at 31/12/07
<b>Cost-</b>				
Concessions, patents and other	60	-	-	60
Computer software	4,926	2,155	6,155	13,236
Advances and intangible assets in progress	5,204	3,543	(6,194)	2,553
<b>Total cost</b>	<b>10,190</b>	<b>5,698</b>	<b>(39)</b>	<b>15,849</b>
<b>Accumulated amortisation-</b>				
Concessions, patents and other	(60)	-	-	(60)
Computer software	(3,571)	(1,364)	25	(4,910)
<b>Total accumulated amortisation</b>	<b>(3,631)</b>	<b>(1,364)</b>	<b>25</b>	<b>(4,970)</b>

The 2007 additions to "*Advances and Intangible Assets in Progress*" and "*Computer Software*" related mainly to the various projects which the Company is implementing in the framework of the Group's Technology Plan. As these projects in progress are completed they are transferred to "*Computer Software*".

At 31 December 2007, the Company's fully amortised intangible assets in use amounted to EUR 3,843 thousand.

## 6.- TANGIBLE FIXED ASSETS

The transactions recorded in 2007 in tangible fixed asset accounts and the related accumulated depreciation are summarised as follows (in thousands of euros):



	Balance at 31/12/06	Additions	Transfers	Disposals	Balance at 31/12/07
<b>Cost-</b>					
Buildings	310	-	-	-	310
Other fixtures and furniture	3,655	154	-	-	3,809
Other tangible fixed assets	4,625	161	39	(26)	4,799
<b>Total cost</b>	<b>8,590</b>	<b>315</b>	<b>39</b>	<b>(26)</b>	<b>8,918</b>
<b>Accumulated depreciation-</b>					
Buildings	(43)	(7)	-	-	(50)
Other fixtures and furniture	(2,091)	(222)	-	-	(2,313)
Other tangible fixed assets	(2,278)	(854)	(25)	23	(3,134)
<b>Total accumulated depreciation</b>	<b>(4,412)</b>	<b>(1,083)</b>	<b>(25)</b>	<b>23</b>	<b>(5,497)</b>

The additions in 2007 relate basically to the improvements and refurbishments made to the Company's plant as well as to the investments in computer and communications equipment related to the projects being developed by the Company in the framework of the Group's Technology Plan.

The Company's fully depreciated tangible fixed assets in use amounted to EUR 3,423 thousand at 31 December 2007.

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

## 7.- LONG-TERM INVESTMENTS

The transactions recorded in 2007 in long-term investment accounts are summarised as follows (in thousands of euros):

	Balance at 31/12/06	Additions	Transfers	Disposals	Balance at 31/12/07
<b>Cost</b>					
Investments in Group companies	2,822,192	152,464	28,388	(50,070)	2,952,974
Investments in associates	48,661	-	-	-	48,661
Long-term investment securities	31,828	-	(31,828)	-	-
Advances on long-term investments	-	4,335	-	-	4,335
Deposits and guarantees	6	-	-	-	6
Other receivables	293,209	132,923	10,423	(11,941)	424,614
<i>Loans to Group companies</i>	80,208	74,769	(1,380)	-	153,597
<i>Loans to associates</i>	-	-	1,035	-	1,035
<i>Tax assets not yet allocated to profit or loss     (Note 16)</i>	181,495	50,922	10,768	(11,735)	231,450
<i>Deferred tax assets (Note 16)</i>	27,709	7,225	-	(206)	34,728
<i>Other</i>	3,797	7	-	-	3,804
<b>Total cost</b>	<b>3,195,896</b>	<b>289,722</b>	<b>6,983</b>	<b>(62,011)</b>	<b>3,430,590</b>
<b>Allowances</b>					
Group companies	(216,311)	(27,358)	-	27,578	(216,091)
Associates	(45,606)	(2,813)	-	-	(48,419)
Long-term investment securities	(3,440)	-	3,440	-	-
<b>Total allowances</b>	<b>(265,357)</b>	<b>(30,171)</b>	<b>3,440</b>	<b>27,578</b>	<b>(264,510)</b>

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

### Investments in Group companies

In the second half of 2007 the Company acquired, by acquiring shares in the market, an additional holding of 4.15% in Sogecable, S.A. for EUR 152,300 thousand. This acquisition increased the ownership interest in Sogecable, S.A. from 42.936% to 47.086% in 2007.

At 31 December 2007, the market value of the Sogecable, S.A. share was higher than its average unit cost per books.

In March 2007 Prisa contributed, through a capital increase, its 15.01% ownership interest in Le Monde, S.A. to Grupo Empresarial de Medios Impresos, S.L. As a result of this transaction, the Company transferred to "Investments in Group Companies" the carrying amount of its ownership interest in the company contributed recognised under "Long-Term Investment Securities" and "Allowances - Long-Term Investment Securities" the net amount of which totalled EUR 28,388 thousand.

In December 2007 capital was reduced at Vertex SGPS, S.A. with the reimbursement of contributions, which reduced the cost of that investment by EUR 50,000 thousand for the Company.

## Other receivables

### Loans to Group companies-

"Loans to Group Companies" includes the loans granted to Group companies, the detail being as follows:

Group Company	Type of Loan	Final Maturity	Balance at 31/12/06	Additions	Transfer to Short Term	Balance at 31/12/07
Gran Vía Musical de Ediciones, S.L.	Participating	2015	28,008	-	-	28,008
Promotora de Emisoras de Televisión, S.A.	Participating	2009	25,850	30,000	-	55,850
Promotora de Emisoras, S.L.	Participating	2009	3,800	-	-	3,800
Plural Entertainment España, S.L.	Participating	2009	1,340	3,769	-	5,109
Santillana Ediciones Generales, S.L.	Financial	2010	6,210	-	(1,380)	4,830
Prisaprint, S.L. (Note 22)	Financial	2011	15,000	41,000	-	56,000
<b>Total</b>			<b>80,208</b>	<b>74,769</b>	<b>(1,380)</b>	<b>153,597</b>

The participating loans earn floating participating interest which is dependent upon the borrowing company achieving certain annual revenue and/or results. The loan to Promotora de Emisoras de Televisión, S.L. also earns fixed interest tied to Euribor plus a market spread. The financial loans earned fixed interest tied to Euribor plus a market spread.

In 2007 financial loans totalling EUR 41,000 thousand were granted to Prisaprint, S.L. in order to enable it to finance the restructuring plan undertaken by its subsidiary Dédalo Grupo Gráfico, S.L.

Transfers relate to the reclassification to "Short-Term Investments" (see Note 11) of the loan instalments which fall due in or before December 2008.

## 8.- TREASURY SHARES

The changes in "Treasury Shares" in 2007 were as follows:

	Number of Shares	Thousands of Euros
<b>Balance at 31/12/06</b>	<b>10,940,625</b>	<b>38,881</b>
Purchases	17,654	283
Sales	-	-
Deliveries	(17,654)	(63)
<b>Balance at 31/12/07</b>	<b>10,940,625</b>	<b>39,101</b>

At 31 December 2007, Promotora de Informaciones, S.A. held a total of 10,940,625 treasury shares, representing 4.96% of its share capital. The total cost of these shares was EUR 39,101 thousand, with a cost per share of EUR 3.57.

The Company plans to cover the exchangeable bond issue launched in 2003 (see Note 14) with all the treasury shares held by it. Also, in the context of the above-mentioned issue, the Company held 53,231 shares on loan at 31 December 2007 (see Note 14).

## 9.- DEFERRED EXPENSES

The transactions recorded under “*Deferred Expenses*” in 2007 were as follows (in thousands of euros):

	Balance at 31/12/06	Additions	Reductions	Balance at 31/12/07
Exchangeable bond arrangement fees	1,492	-	(746)	746
Loan arrangement fees	10,762	2,884	(1,921)	11,725
<b>Total</b>	<b>12,254</b>	<b>2,884</b>	<b>(2,667)</b>	<b>12,471</b>

“*Exchangeable Bond Arrangement Fees*” relates to the expenses incurred as a result of the exchangeable bond issue that were borne by the Company by virtue of the agreement entered into on 19 December 2003 with Prisa Finance (Netherlands) B.V. (see Note 14).

“*Loan Arrangement Fees*” relates to the expenses incurred in respect of the arrangement and origination of the syndicated loans and credit facilities described in Note 15.

## 10.- ACCOUNTS RECEIVABLE

### Receivable from Group companies and associates

“*Receivable from Group Companies and Associates*” includes the accounts receivable from Group companies and associates for the provision of services, amounting to EUR 11,123 thousand, and the net balance receivable by the Company as a result of the settlement of the consolidated tax group’s income tax for 2007, amounting to EUR 20,499 thousand.

## 11.- SHORT-TERM INVESTMENTS

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 31 December 2007, “*Short-Term Investments*” included EUR 242,347 thousand of balances and interest receivable from Group companies arising from the above-mentioned cash pooling.

This heading also includes loans granted to Vertix, SGPS, S.A. amounting to EUR 24,668 thousand, the instalments falling due in 2007 of the loans to Group companies described in Note 7 and the accrued interest receivable on these loans.

## 12.- SHAREHOLDERS' EQUITY

The summary of the transactions recorded in equity accounts in 2007 is presented in Appendix III to these financial statements.

### Share capital

At 31 December 2007, the share capital of Promotora de Informaciones, S.A. amounted to EUR 22,036 thousand and was represented by 218,812,500 ordinary class A shares of EUR 0.1 par value each and by 1,543,000 redeemable class B shares of EUR 0.1 par value each. The share capital has been subscribed and paid in full.

On 16 April 2007, the capital increase at Promotora de Informaciones, S.A. decided upon by the shareholders at the Annual General Meeting held on 22 March 2006 was carried out through the issuance of 1,580,500 redeemable class B shares of EUR 0.10 par value each and a share premium of EUR 13.30 per share. The purpose of the capital increase was to cater for the share option plan targeted at executive directors and executives of the PRISA Group approved by the shareholders at the Annual General Meeting held on 15 April 2004. This capital increase (1,543,000 redeemable shares) was subscribed in part by a bank, disbursing EUR 20,677 thousand, of which EUR 155 thousand related to the par value of the shares and EUR 20,522 thousand related to the share premium.

The redeemable shares issued carry the same rights as the other ordinary shares, except as provided in Article 6 of the bylaws of Promotora de Informaciones, S.A. in relation to the redemption right. The aforementioned bank, which was the only subscriber, undertook not to exercise the voting rights conferred upon it by these shares.

At 31 December 2007, 323,000 share options had been exercised and, therefore, 1,220,000 redeemable shares remained available to serve as coverage. Accordingly, the related financial liability was recognised with a charge to "*Other Reserves*" in the balance sheet at 31 December 2007.

At 31 December 2007, the only shareholders of the Company with direct ownership interests of 10% or more in its share capital were Promotora de Publicaciones, S.L., with a holding of 44.224%, and Timón, S.A., with a holding of 18.350%.

### Share premium

The Consolidated Spanish Companies Law expressly permits the use of the share premium account balance to increase capital with a charge to reserves and does not establish any specific restrictions as to its use.

In 2007 the share premium balance was increased by EUR 20,522 thousand as a result of the capital increase carried out to cater for the Promotora de Informaciones, S.A. share option plan, with the issuance of 1,543,000 redeemable class B shares of EUR 0.1 par value each and a share premium of EUR 13.30 per share.

## Reserves

### *Revaluation reserve 1983-*

Pursuant to the legislation on the revaluation of tangible fixed assets and intangible assets published in 1983, the cost and accumulated depreciation and amortisation of these assets were increased by a net amount of EUR 3,289 thousand, and this amount is recognised under "Revaluation Reserve 1983". This reserve was unrestricted at 31 December 2007.

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

Under Royal Decree 2607/1996, of 20 December, approving the regulations for asset revaluations pursuant to Royal Decree-Law 7/1996, of 7 June, the surpluses arising from the revaluations must be charged to "Revaluation Reserve Royal Decree-Law 7/1996". The balance of this account has been unrestricted since 1 January 2007.

### *Legal reserve-*

Under the Consolidated Spanish Companies 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 provided that the remaining reserve balance does not fall below 10% of the increased share capital amount.

Except as mentioned 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.

### *Reserve for treasury shares-*

Under Article 79 of the Consolidated Spanish Companies Law, 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 recognised on the asset side. This reserve must be maintained until the shares are sold or retired.

### *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.

### 13.- PROVISIONS FOR CONTINGENCIES AND CHARGES

The changes in 2007 in "Provisions for Contingencies and Charges" are summarised as follows:

	Balance at 31/12/06	Additions	Amounts Released	Balance at 31/12/07
Provision for taxes	9,442	-	(3)	9,439
Provision for third-party liability	34,357	8,205	(803)	41,759
<b>Total</b>	<b>43,799</b>	<b>8,205</b>	<b>(806)</b>	<b>51,198</b>

"Provision for Taxes" relates to the estimated amount of the tax debts arising from the tax inspection carried out at the Company for the years open for review up to and including 1996 (see Note 16).

The additions to "Provision for Third-Party Liability" relate to the increases in the provisions recognised to cover the negative net worth of Promotora de Emisora, S.L. and Inversiones en Radiodifusión, S.A. at 31 December 2007. The releases relate to the partial reversal of the provision recognised in 2006 to cover the negative net worth of Gran Vía Musical de Ediciones, S.L.

### 14.- PAYABLE TO GROUP COMPANIES AND ASSOCIATES

The main debts to Group companies and associates are classified as follows:

#### Long-term payables to Group companies and associates

The detail of the transactions recorded under "Non-Current Liabilities – Payable to Group Companies and Associates" in 2007 is as follows (in thousands of euros):

	Balance at 31/12/06	Additions	Reductions	Balance at 31/12/07
Prisa Finance (Netherlands) B.V.	162,300	-	-	162,300
Investment tax credits	48,475	15,310	(7)	63,778
Other payables	4,404	-	-	4,404
<b>Total</b>	<b>215,179</b>	<b>15,310</b>	<b>(7)</b>	<b>230,482</b>

#### *Prisa Finance (Netherlands) B.V.-*

On 11 December 2003, Prisa Finance (Netherlands) B.V., a wholly-owned subsidiary of Prisa, resolved to launch an issue of bonds exchangeable for ordinary shares of Prisa. The nominal amount of this issue was EUR 162,300 thousand and the face value of each bond was EUR 10,000. Following the placement of this issue, the annual coupon was set at 1.75% of the bond principal and the exchange premium of each bond was set at 34% of the benchmark price per share established at EUR 11.0755. The maturity date of the bonds was established at five years from the issue date and they will be settled in 2009.

In the context of this issue, on 19 December 2003 the Company entered into a deposit agreement with Prisa Finance (Netherlands) B.V., whereby the Company guarantees bondholders that it will fulfil all its obligations.

Also, the funds obtained from the bond issue, amounting to EUR 162,300 thousand, were transferred to the Company as a deposit, and the interest thereon was 1.75% of the principal, payable under the same terms and conditions as those established for the issue.

The Company plans, through its subsidiary, to cover the exchangeable bond issue with all the treasury shares held by it (*see Note 8*).

Furthermore, the Company made available to the lead managers of this transaction up to 9,846,562 treasury shares, in the form of a securities loan, in order to provide financing to the investors that required it. 53,231 shares had been loaned at 31 December 2007 (*see Note 8*). The loan earns five basis-point interest, payable monthly, calculated on the basis of the market value of the loaned shares. Also, the Company is entitled to receive from the lead managers of the transaction the full amount of any dividend paid on the loaned shares during the term of the loan.

#### *Investment tax credits-*

*"Investment Tax Credits"* includes the Company's obligation to its subsidiaries arising from investment tax credits earned by Group companies in prior years that were not used in the tax group's income tax settlement.

The changes in *"Investment Tax Credits"* include, on the one hand, (i) an addition of EUR 15,310 thousand relating to the tax credits earned by subsidiaries of the consolidated tax group in 2006 that were not used due to insufficient tax payable; and, on the other, (ii) a reduction of EUR 7 thousand as a result of the transfer of a company that had formed part of the consolidated tax group which, when it left the group, gained the entitlement to take the unused tax credits earned by it while it formed part of the tax group.

#### *Other payables-*

*"Other Payables"* includes EUR 4,404 thousand relating to the assessments issued by the tax authorities against Sociedad Española de Radiodifusión, S.A. for withholdings from income from movable capital. Promotora de Informaciones, S.A.'s entitlement to a refund has been recognised and the Company has undertaken to repay the amount involved if the appeals filed are ultimately not successful.

### **Short-term payables to Group companies and associates**

At 31 December 2007, *"Current Liabilities - Payable to Group Companies and Associates"* included the payables to Group companies and associates as a result of the pooling of the cash balances of the Prisa Group companies, amounting to EUR 186,238 thousand (*see Note 11*), the net balance payable by the Company as a result of the consolidated tax group's 2007 income tax settlement, amounting to EUR 17,997 thousand, and payables to Group companies and associates for services, amounting to EUR 769 thousand.



This heading also includes loans received from Grupo Media Capital, SGPS, S.A. totalling EUR 71,000 thousand and the related accrued interest payable amounting to EUR 240 thousand.

## 15.- BANK BORROWINGS

The detail of the bank borrowings at 31 December 2007 is as follows (in thousands of euros):

	Maturity	Credit Limit	Drawn-down Amount Maturing at Short Term	Drawn-down Amount Maturing at Long Term
Syndicated loan and credit facility	2013	2,050,000	74,206	1,812,988
Subordinated credit facility	2013	200,000	50,000	-
Credit facilities	2008	150,000	92,192	-
Other loans	2008	-	17,134	-
Interest and other	-	-	4,982	-
<b>Total</b>		<b>2,400,000</b>	<b>238,514</b>	<b>1,812,988</b>

### *Prisa syndicated loan and credit facility-*

In June 2007 Prisa entered into a syndicated financing agreement with a group of 39 banks for a maximum amount of EUR 2,050,000 thousand, consisting of a long-term loan amounting to EUR 1,675,000 thousand and a credit facility of EUR 375,000 thousand drawable throughout the term of the loan. The financing was used to refinance a portion of the debt then held by Prisa and its subsidiaries, excluding Sogecable, S.A., and to finance the Prisa Group's operating needs.

This loan replaces the previous syndicated loan of EUR 1,600,000 thousand (arranged to finance the bid for 20% of the shares of Sogecable, S.A. launched and completed in March 2006) and the bridge loan of EUR 450,000 thousand (arranged to finance the voluntary and obligatory takeover bid for shares of Grupo Media Capital SPGS, S.A.).

Repayment of the loan commenced in 2007 with the payment of EUR 97,806 thousand and will end in June 2013. The repayment schedule is as follows:

Maturity	Thousands of Euros
2008	74,206
2009	132,617
2010	221,028
2011	329,439
2012	377,850
2013	442,054
	<b>1,577,194</b>

The interest rate applicable to the syndicated loan and credit facility is Euribor plus a spread, which was initially set at 0.925%. However, the agreement provides for the adjustment of the spread to between 1.20% and 0.35% based on the achievement of certain financial ratios. In conformity with the financing agreement, the Company has arranged interest rate hedges which establish interest rate caps. The hedging contracts expire in September 2011.

Under the syndicated financing agreement, the Prisa Group, excluding Sogecable, S.A., is required to meet certain general obligations. As a result of the Parent's takeover bid for Sogecable, S.A., the Company is failing to meet certain of its obligations. In order to cover the possibility of the agent in the syndicated financing agreement, following the approval of a majority of the lenders forming part of the syndicate, notifying the Company that it must repay the syndicated financing early, the Company has arranged a bridge credit facility (see Note 23), tranche B of which, if drawn down, would fully refinance the borrowings under the syndicated financing.

The syndicated financing agreement is jointly and severally guaranteed by the Prisa Group companies (excluding Sogecable, S.A.) which, in accordance with certain parameters established in the agreement, were considered to be significant subsidiaries at the reporting date, namely, Diario El País, S.L., Grupo Empresarial de Medios Impresos, S.L., Grupo Santillana de Ediciones, S.L., Sociedad de Servicios Radiofónicos Unión Radio, S.L. and Grupo Media Capital SPGS, S.A.

#### *Subordinated credit facility-*

On 20 December 2007, the Company arranged a subordinated credit facility of EUR 200,000 thousand bearing interest at a market rate. This facility matures on 20 May 2013.

The "subordination" of this financing lies basically in the fact that the repayment of any amount owed thereunder will be conditional upon compliance with the payment obligations at any given time under the aforementioned syndicated loan granted to Prisa by a syndicate of banks. The related agreement states that the purpose of the facility is to finance such shares of Sogecable, S.A. as Prisa might acquire in the market.

At 31 December 2007, EUR 50,000 thousand had been drawn down against this credit facility.

#### *Credit facilities*

"*Credit Facilities*" includes the amounts drawn down against credit facilities used to finance the Prisa Group companies' operating needs in Spain (see Notes 11 and 14), which are channelled through the cash pooling. The total amount of bank borrowings maturing in 2008 includes the balances drawn down against certain credit facilities which, although they mature in more than one year, are extendable for one-year periods, as stipulated in the related agreements. Accordingly, these balances were classified under "*Current Liabilities - Bank Borrowings*" in the accompanying balance sheet at 31 December 2007. The interest rate applicable to these loans is Euribor plus a spread of between 0.25% and 0.35%.

### *Other loans*

“Other Loans” relates to the financial liability of EUR 17,134 thousand relating to the redeemable shares issued to cover share options not exercised at 31 December 2007 (see Note 8).

## **16.- TAX MATTERS**

As indicated under “Accounting Policies”, the Company files consolidated income tax returns under the consolidated tax regime regulated by the Consolidated 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 the accompanying Appendixes I and II.

### **Receivable from/payable to public authorities**

The detail of the balances receivable from and payable to public authorities at 31 December 2007 is as follows (in thousands of euros):

	Receivable		Payable	
	Short Term	Long Term	Short Term	Long Term
Income tax refundable	5,248	-	-	-
Tax assets not yet allocated to income (Note 7)	-	231,450	-	-
Deferred tax assets (Note 7)	1,036	34,728	-	-
Deferred tax liabilities	-	-	-	(17,803)
VAT, personal income tax withholdings, accrued social security taxes and other	467	-	(806)	-
<b>Total</b>	<b>6,751</b>	<b>266,178</b>	<b>(806)</b>	<b>(17,803)</b>

### **Income tax refundable**

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, the detail being as follows:

	Thousands of Euros
<b>Sum of individual tax bases</b>	<b>349,875</b>
Consolidation adjustments	(245,611)
Offset of tax losses arising prior to inclusion in the group	(28,314)
Offset of tax losses of the tax group	(18,656)
<b>Consolidated taxable profit</b>	<b>57,294</b>
<b>Consolidated gross tax payable</b>	<b>18,620</b>
Double taxation tax credits of the tax group	(8,087)
Tax relief	(92)
Investment tax credits used at PRISA	(4,869)
Investment tax credits used at other tax group companies	(5,572)
<b>Net tax payable</b>	<b>-</b>
Tax prepayments	(5,032)
Withholdings from tax group	(216)
<b>Income tax refundable</b>	<b>(5,248)</b>

The consolidated tax group's taxable profit amounted to EUR 57,294 thousand, after making the appropriate consolidation adjustments for a negative amount of EUR 245,611 thousand and after offsetting tax losses of EUR 28,314 thousand that arose at group companies before they were included in the consolidated tax group and tax losses of EUR 18,656 thousand that were incurred by the tax group companies in 2006. The income tax refundable in this connection amounted to EUR 5,248 thousand at 31 December 2007 and is included under "Accounts Receivable - Receivable from Public Authorities". In calculating this tax asset, tax credits earned in prior years by both the Company itself and tax group companies amounting to EUR 6,816 thousand that had not been used at 31 December 2007 were deducted, together with EUR 3,626 thousand relating to tax credits earned by the Company and by tax group companies in 2007. The tax refundable is also net of the tax prepayments made during the year, amounting to EUR 5,032 thousand, and of the withholdings borne by the tax group in this period, totalling EUR 216 thousand.

#### Unused tax assets

At 31 December 2007, the balance of the Company's long-term unused tax asset amounted to EUR 231,450 thousand and is recognised under "Long-Term Investments - Other Receivables" on the asset side of the balance sheet (see Note 7). The additions were due to: (i) investment tax credits earned but not deducted in 2007 amounting to EUR 7,428 thousand; and (ii) the adjustment made to the income tax for 2006 amounting to EUR 43,494 thousand. The transfer of EUR 10,768 thousand relates to the tax credits earned and used at 2006 year-end which, as a result of the adjustment made to the income tax for 2006 when the tax return was filed in July, had to be recognised as unused. Lastly, the reductions amounting to EUR 11,735 thousand relate to the income tax credits taken at 2007 year-end.

#### Deferred tax assets and liabilities

As the parent of the tax group, the Company recognises the related tax expense or income, taking into account the effect of the permanent and timing adjustments arising as a result of consolidation for tax purposes.

The timing differences recognised by the Company and the changes therein in 2007 were as follows (in thousands of euros):

	Deferred Tax Assets	Deferred Tax Liabilities
Balance at 31/12/06	27,709	(139)
Additions	7,225	(17,664)
Reductions	(206)	-
Balance at 31/12/07	34,728	(17,803)

#### *Deferred tax assets-*

Of the additions to long-term deferred tax assets, EUR 618 thousand relate to the provision for long-term incentives that is not tax deductible in 2007 but which will become deductible in a future period, and EUR 6,607 thousand relate to the provision to the investment valuation allowance of companies included in the consolidated tax group. The reductions, totalling EUR 206 thousand, relate to the adjustment made to the income tax for 2006.

Long-term deferred tax assets are recognised under "*Long-Term Investments - Other Receivables*" (see Note 7).

The additions to short-term deferred tax assets, amounting to EUR 1,036 thousand, relate to a provision that was not tax deductible in 2006 but which will become deductible in a future period, as a result of the different timing of recognition of the expense for accounting and tax purposes.

Short-term deferred tax assets are recognised under "*Receivable from Public Authorities*".

#### *Deferred tax liabilities-*

The changes in this balance relate to: (i) additions of EUR 11 thousand resulting from the application of accelerated depreciation on assets pursuant to Royal Decree Law 3/1993 and of EUR 5 thousand resulting from the reclassification from non-current liabilities to current liabilities made by the Company in this connection; (ii) an addition of EUR 17,371 thousand as a result of the reversal for accounting purposes of a provision which did not have any tax effect in 2007; and (iii) an addition of EUR 282 thousand relating to differences in accounting and tax regulations in relation to the tax deductibility of the difference arising on the acquisition of foreign investments.

Deferred tax liabilities are recognised under "*Non-Current Liabilities - Payable to Public Authorities*" in the accompanying balance sheet.

#### **Reconciliation of the accounting profit to the taxable profit**

The following table shows a reconciliation of the accounting profit for 2007 to the taxable profit used to calculate the income tax expense:

	Thousands of Euros
<b>Accounting profit for the year</b>	<b>110,281</b>
Income tax for 2007	(42,592)
Adjustment of prior years' income tax	(37,758)
Adjustment for effect of change in tax rate	783
Individual permanent adjustments	4,636
Permanent adjustments of consolidated tax group	(840)
<b>Taxable profit used to calculate the income tax expense</b>	<b>34,510</b>

Current income tax regulations provide for certain tax incentives. In calculating its income tax expense, the Company availed itself of the tax benefit envisaged in Article 40 of the Spanish Corporation Tax Law, which amounted to EUR 5 thousand. This amount has not been taken and is recognised under "*Long-Term Investments - Other Receivables*" on the asset side of the balance sheet (*see Note 7*).

The Company availed itself of the tax credit envisaged in Article 20 of Law 49/2002, of 23 December, on the Tax Regime of Non-Profit-Making Entities and Patronage Tax Incentives, amounting to EUR 1,009 thousand, and took EUR 53,984 thousand of dividend double taxation tax credits arising in 2007.

In 2004 and 2005 the Company availed itself of the tax credit for the reinvestment of extraordinary income envisaged in Article 42 of the Spanish Corporation Tax Law, and applied the reinvestment tax credit to income amounting to EUR 77 thousand and EUR 434 thousand, respectively, having fulfilled, in the year in which the income was obtained, the obligation to reinvest the sale price in the acquisition of financial assets, in the terms established by this Law.

#### **Years open for review by the tax authorities**

In 1999 the tax authorities audited the years open for review up to and including 1996 of the Company and its consolidated tax group, and issued tax assessments against the Company relating to personal income tax withholdings and prepayments, VAT, the single revaluation tax and, as the head of the tax group, income tax. The amount in litigation at 2007 year-end totalled EUR 7,519 thousand relating to consolidated income tax. Since the Company does not concur with the criteria applied by the tax authorities, it has filed appeals at the appropriate instances against virtually all the tax assessments issued, of which those relating to income tax have not yet been resolved. In 2007 favourable judgments were issued by the National Appellate Court in connection with personal income tax withholdings and prepayments. No decision has yet been handed down by the Supreme Court in connection with the income tax settlements for 1992 to 1996. Guarantees have been provided for the total amount of the assessments, the execution of which was therefore stayed. However, in accordance with the principle of prudence in valuation, the Company has recorded a provision of EUR 9,439 thousand (*see Note 13*) to cover any payments that it might have to make in this connection in the future.

In 2006 the tax authorities completed their audit of consolidated income tax for 1999, 2000, 2001 and 2002 and of VAT, personal income tax withholdings and prepayments (employees and professionals), tax on property income, tax on income from movable capital and non-resident income tax for the period from June 2000 to May 2004. The decisions handed down on the appeals filed against the decisions upholding the final tax assessments issued for income tax (which partially upheld the submissions) included settlements amounting to EUR 34,867 thousand. Appeals have been filed at the Central Economic-Administrative Tribunal against these decisions. Payment of this amount was stayed and the related guarantee was provided (*see Note 22*). At the date of preparation of these financial statements, the Company had been notified of the decision relating to 1999 and 2000, which partially upheld the Company's reasoning. However, appeals will be filed against these decisions at the appropriate instances. The Company's directors consider that no material contingent liabilities will arise in this connection.

The Company has 2003, 2004, 2005 and 2006 open for review for income tax and from June 2004 for the other state taxes. Additionally, the Company has open for review the last four years for all non-state taxes. The directors do not expect any additional material liabilities to arise in the event of any future tax audit.

## 17.- INCOME AND EXPENSES

### Transactions with Group companies and associates

The transactions performed in 2007 were as follows (in thousands of euros):

	Income			Expenses	
	Services Rendered	Finance Income	Dividends	Services Received	Finance Costs
Group companies	19,691	13,956	166,020	2,139	10,988
Associates	-	-	-	220	-
<b>Total</b>	<b>19,691</b>	<b>13,956</b>	<b>166,020</b>	<b>2,359</b>	<b>10,988</b>

The detail of the dividend income earned by the Company in 2007 relating to dividends of Group companies is as follows:

	Thousands of Euros
Diario El País, S.L.	84,908
Sociedad de Servicios Radiofónicos Unión Radio, S.L.	24,992
Grupo Santillana de Ediciones, S.L.	30,000
Prisa División Inmobiliaria, S.L.	13,100
Gerencia de Medios, S.A.	4,607
Grupo Empresarial de Medios Impresos, S.L.	7,000
Redprensa, S.A.	1,413
<b>Total</b>	<b>166,020</b>

The income from services provided to third parties relate basically to central corporate services.

#### **Fees paid to auditors**

The fees for financial audit services provided to the various companies composing the Prisa Group and subsidiaries by the principal auditor and by other entities related to the auditor amounted to EUR 1,784 thousand in 2007, of which EUR 112 thousand related to services provided to Sociedad Promotora de Informaciones, S.A. Also, the fees charged in this connection by other auditors participating in the audit of the various Group companies totalled EUR 342 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 amounted to EUR 922 thousand in 2007, of which EUR 31 thousand related to services provided to Promotora de Informaciones, S.A., while the fees paid in this connection to other auditors participating in the audit of the various Group companies amounted to EUR 464 thousand, of which EUR 393 thousand related to services provided to Sociedad Promotora de Informaciones, S.A.

#### **Extraordinary income**

On 20 October 2006, the International Court of Arbitration of the International Chamber of Commerce rendered an arbitral award ordering Tiscali, S.P.A. to pay the principal amount plus the related interest, and substantially all the arbitration costs, claimed by Prisa as a result of breach by Tiscali, S.P.A. of an advertising expenditure agreement entered into on 31 July 2001 for the sale of the shares of Inicia Comunicaciones, S.A.

On 4 May 2007, Tiscali paid the aforementioned amounts, in conformity with the award, and the Company recognised extraordinary income of EUR 1,159 thousand, in addition to the EUR 4,816 thousand already recognised in 2006.



## Extraordinary expenses

"Extraordinary Expenses" relates to donations made to foundations and other entities and to indemnity payments as a result of the early termination of contracts entered into by the Company.

## 18.- HEADCOUNT

The average number of employees in 2007 was 133, all of whom had permanent contracts. The detail by professional category is as follows:

	Men	Women
Executives	25	9
Middle management	9	9
Qualified line personnel	22	25
Other employees	5	29
<b>Total</b>	<b>61</b>	<b>72</b>

## 19.- REMUNERATION AND OTHER BENEFITS OF DIRECTORS

In 2007 the Company paid the following amounts in respect of remuneration earned by the Board members:

	Thousands of Euros
Wages and salaries	3,763
Directors' fees	1,322
Attendance fees	912
<b>Total</b>	<b>5,997</b>

No credits, advances or loans have been granted to the members of the Board of Directors, and there are no pension obligations to them.

As described in Note 16 to the financial statements, the Board members were granted 185,000 options under the Promotora de Informaciones, S.A. share option plan and 70,000 options under the Sogecable, S.A. share option plan.

Pursuant to Article 127 ter.4 of the Spanish Companies Law, introduced by Law 26/2003, of 17 July, which amends Securities Market Law 24/1988, of 28 July, and the Consolidated Spanish Companies Law, in order to reinforce the transparency of listed corporations, following is a detail of the companies engaging in an activity that is identical, similar or complementary to the activity that constitutes the company object of Promotora de Informaciones, S.A. in which the members of the Board of Directors own equity interests, and of the functions, if any, that they discharge thereat:

Owner	Investee	% of Ownership	Functions
Ignacio Polanco Moreno	Sogecable, S.A.	0.014	Director
Juan Luis Cebrián Echarri	Sogecable, S.A.	0.002	Deputy Chairman
	Le Monde, S.A.	-	Director
Francisco Javier Díez de Polanco	Canal Club de Distribución de Ocio y Cultura, S.A.	-	Director
	Compañía Independiente de Televisión, S.L	-	Chairman and CEO
	Canal Satélite Digital, S.L.	-	"
	DTS Distribuidora de Televisión Digital, S.A.	-	"
	Sociedad General de Cine, S.A.	-	"
	Sogepaq, S.A.	-	"
	Sogecable, S.A.	0.043	CEO
	Audiovisual Sport, S.L.	-	Chairman (in representation of Sogecable, S.A.)
	Cinemanía, S.L.	-	"
	Compañía Independiente de Noticias de Televisión, S.L.	-	Chairman (in representation of Sogecable, S.A.)
Sogecable Editorial, S.L	-	Chairman and CEO (in representation of Sogecable, S.A.)	
	Sogecable Media, S.L.	-	"
Diego Hidalgo Schnur	Sogecable, S.A.	0.000	Director
Gregorio Marañón y Bertrán de Lis	Sogecable, S.A.	-	Director
	Universal Music Spain, S.L.	-	Chairman
Emiliano Martínez Rodríguez	Sogecable, S.A.	0.011	-
Agnès Noguera Borel	Sogecable, S.A.	0.000	Director
Borja Jesús Pérez Arauna	Sogecable, S.A.	0.008	-
Francisco Pérez González	Sogecable, S.A.	-	Director
Isabel Polanco Moreno	Sogecable, S.A.	0.001	-
Manuel Polanco Moreno	Sogecable, S.A.	-	Director
Juan Salvat Dalmau	Sogecable, S.A.	0.012	-
Jesús de la Serna y Gutiérrez- Répide	Sogecable, S.A.	0.000	-
Adolfo Valero Cascante	Sogecable, S.A.	0.015	-
Manuel Varela Uña	Sogecable, S.A.	0.008	-

This list does not include the Prisa Group companies. However, it is hereby stated that the following directors of Promotora de Informaciones, S.A. are part of the managing body of certain Prisa Group companies, as disclosed in the Company's Annual Corporate Governance Report: Ignacio Polanco Moreno, Juan Luis Cebrián Echarri, Francisco Javier

Diez de Polanco, Emiliano Martínez Rodríguez, Isabel Polanco Moreno, Manuel Polanco Moreno, Juan Salvat Dalmau, Gregorio Marañón y Bertrán de Lis, Diego Hidalgo Schnur, Ramón Mendoza Solano, Agnés Noguera Borel, Borja Pérez Arauna, Francisco Pérez González, Adolfo Valero Cascante and Manuel Varela Uña.

Also, in accordance with the above-mentioned Law, it is hereby stated that there is no record that any of the Board members have performed in 2007, or are currently performing, as independent professionals or as employees, any activities that are identical, similar or complementary to the activity that constitutes the company object of Promotora de Informaciones, S.A.

## **20.- SHARE OPTION PLAN**

On 15 April 2004, the shareholders at the Annual General Meeting approved the basic terms of the share option plan for the acquisition of Company shares, the aim of which is to facilitate the ownership of equity interests in Prisa by the Company's executives, by executives of its corporate group and by particularly significant professionals related to the Group who perform activities for the Group companies on an ongoing basis; the shareholders also authorised the Board of Directors to develop and implement this Plan.

The total number of options would enable a maximum of 1% of the share capital of Prisa to be acquired (2,188,125 shares). Each option carries the right to acquire one share of the Company. This system is applied in various tranches, pursuant to the general criteria approved by the Board of Directors. The options and rights under this plan are non-transferable.

On 15 July 2004, the Board of Directors approved a Remuneration Plan consisting of the delivery of options on Company shares in accordance with the authorisation granted by the shareholders at the Annual General Meeting on 15 April 2004.

Options were delivered free of charge and the exercise price is EUR 13.40 per share (which is the simple arithmetic mean of the closing price of the Company's shares on the continuous market during the 90 trading days prior to the Annual General Meeting on 15 April 2004).

The capital increase at Promotora de Informaciones, S.A. decided upon by the shareholders at the Annual General Meeting held on 22 March 2006 to cater for the aforementioned share option plan was carried out on 16 April 2007 (*see Note 12*).

The option exercise period ran from 31 July 2007 to 31 January 2008.

The options outstanding and not exercised at 31 December 2007 amounted to 1,168,000 and affect 199 beneficiaries.

## 21.- LEGAL MATTERS

In the enforcement of the Supreme Court judgment of 9 June 2000 in connection with the first economic concentration plan of Unión Radio, in view of the new concentration transaction authorised in January 2006 and that already completed, an application was submitted to have the case dismissed due to the subject-matter of the dispute no longer existing, which was granted by the Supreme Court in an Order dated 20 February 2007 definitively dismissing the proceedings.

As a result of a statement of claim filed in 2004 by a local radio operator at an Argentine court against the Argentine state, the sale of the shares of Radio Continental, S.A. has not yet been approved by the Argentine government. The claimant also applied for injunctive relief so that the grant of the approval in question would be suspended during the principal proceedings. In December 2004 the court granted the injunctive relief applied for and suspended the processing of the approval.

The decision was appealed against by the Argentine government and by the buying and selling parties, and in April 2007 Argentine Federal Judicial Review Chamber upheld the decision to grant injunctive relief. An extraordinary appeal was filed at the Supreme Court, on which no decision has yet been handed down. The principal proceedings are still in progress which should resolve the underlying issue, although the operations of the radio stations affected have thus far not been affected.

Prisa has ownership interests through Promotora de Emisoras de Televisión, S.A. in the share capital of various local television operators. Law 62/2003, of 30 December, on Tax, Administrative, Labour and Social Security Measures introduced further amendments to the television legal system in order to permit the simultaneous holding of material ownership interests (of more than 5%) in national, regional (autonomous community) and local television licence-holder companies. However, the Law also establishes certain restrictions regarding population coverage. Within this framework, Promotora de Emisoras de Televisión, S.A. is implementing its plan to establish a presence in the local and regional television industry by submitting bids in tenders called for the award of licences. In 2005, 2006 and 2007 Promotora de Emisoras de Televisión, S.A., through its various subsidiaries, submitted bids in tenders called in all the autonomous communities, except for Castilla y León, where the related tender has not yet been called.

During the licence award process, Promotora de Emisoras de Televisión, S.A., through its various subsidiaries, was awarded regional licences in Navarra, Extremadura and Andalucía and local licences in Aragón, Cataluña, Galicia, the Basque Country and the Canary Islands, with sufficient territorial coverage to provide the television service to most of the population of the respective autonomous communities.

The Cantabria and Castilla La Mancha tenders and a regional license in Madrid have not yet been awarded. Promotora de Emisoras de Televisión, S.A. has submitted bids in this connection through its various subsidiaries.

To date, based on the population covered by the licenses under which digital broadcasting has commenced, the incompatibilities established in Article 19 of Private Television Law 10/1988 have not arisen.

## 22.- GUARANTEE COMMITMENTS TO THIRD PARTIES

Within the scope of the takeover bid for shares of Sogecable, S.A., in December 2007 Prisa arranged a bank guarantee of EUR 2,035,023 thousand to secure compliance with any payment obligations to the shareholders of Sogecable, S.A. that accept the offer (*see Note 23*).

Also, the Company acts as guarantor for bank loans and credit facilities granted to Promotora de Emisoras de Televisión, S.A and Iberbanda, S.A for a maximum amount of EUR 22,500 thousand and EUR 32,297 thousand, respectively, and to WSUA Broadcasting Corp. for USD 6,800 thousand.

In order for the LMDS license to be awarded to the investee Iberbanda, S.A., Prisa provided a guarantee for the amount of the investment commitment assumed by this company, in proportion to its percentage of ownership and based on the terms and conditions in the tender specifications. At 31 December 2007, the guarantees provided in this connection totalled EUR 1,222 thousand.

At 31 December 2007, the Company had provided bank guarantees amounting to EUR 54,107 thousand mainly in relation to the tax assessments issued by the tax authorities that were signed on a contested basis (*see Note 16*).

Lastly, on 23 December 2003, Dédalo Grupo Gráfico, S.L. and a group of banks entered into a syndicated loan and credit agreement for a maximum amount of EUR 125,000 thousand tied to Euribor, whose partial objective was to refinance the debts of the investees. The agreement was novated on 10 May 2006. The outstanding balance was EUR 84,868 thousand at 31 December 2007. The aforementioned syndicated loan and credit agreement was also subscribed by the subsidiaries of Dédalo Grupo Gráfico, S.L., which acted as guarantors. The pledge on the collection rights arising from the material contracts of these companies and the mortgage on certain assets were also provided as guarantees. Prisa provided a EUR 15,000 thousand guarantee to the banks to secure compliance with the payment obligations assumed by Dédalo Grupo Gráfico, S.L. under the agreement in force at 31 December 2007. Also, in 2007 Dédalo Grupo Gráfico, S.L. initiated a process to restructure the aforementioned financial debt whereby it will obtain financing amounting to EUR 130,000 thousand in the form of a new syndicated loan which will make it possible to repay the existing loan. This new syndicated financing will be formalised in February 2008. Prisa will be the guarantor for EUR 70,000 thousand of this new financing.

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

## 23.- OTHER SIGNIFICANT MATTERS

### *Takeover bid for Sogecable-*

On 20 December 2007, the Company notified the Spanish National Securities Market Commission (CNMV) of a irrevocable agreement entered into with Eventos, S.A., the owner

of a 2.94% holding in Sogecable, S.A., whereby the latter undertook to sell and transfer to Prisa its ownership interest in Sogecable, S.A., in the framework of a takeover bid, which guarantees that Prisa will own more than half the share capital of Sogecable, S.A. and that Eventos, S.A. will sell its shares at the price offered (EUR 28 per share, payable in full in cash).

The takeover bid for all the share capital of Sogecable, S.A. was launched by the Group's Board of Directors on that same day. This bid took the form of a purchase and sale transaction, with Prisa offering a cash amount of EUR 28 per share. The application for authorisation of the takeover bid was submitted to the CNMV on 28 December 2007.

The bid will be mandatory pursuant to Royal Decree 1066/2007, since Prisa acquired shares of Sogecable, S.A. giving it more than 50% of the voting rights and economic rights of over 5% in a 12-month period.

#### *Bridge loan -*

In December 2007 Prisa entered into a six-month financing agreement with a bank for a maximum amount of EUR 4,230,000 thousand and bearing interest at a market rate.

The agreement states that the purpose of this financing is to cover the financial obligations arising from the takeover bid for all the share capital of Sogecable, S.A. submitted to the CNMV on 28 December 2007 (*see Note 7*).

This agreement consists of a first tranche (tranche A) of EUR 2,036,000 thousand, which includes the amount of the guarantee submitted to the CNMV amounting to EUR 2,035,023 thousand, and two credit facilities, the first for EUR 2,052,000 thousand (tranche B) the purpose of which is to cover, if necessary, the refinancing of the current syndicated loan, and the other (tranche C) for EUR 142,000 thousand to finance operations. Also, the agreement states that the Prisa Group, except for Sogecable, S.A., must comply basically with the general obligations established for the current syndicated loan and credit facility agreement.

If necessary, once the period for acceptance of the takeover bid has elapsed and the outcome and, therefore, the financial indebtedness that Prisa will have to bear are known, the Group's financial structure will be refinanced and tailored to the specific circumstances prevailing in the market.

## **24.- FUTURE COMMITMENTS**

On 19 December 2007, the Prisa Group announced that it, together with Godó de Comunicación, S.A. and its investee Sociedad de Servicios Radiofónicos Unión Radio, S.L., had entered into a memorandum of understanding with 3i Europe plc, a fund manager forming part of the European private equity firm 3i Group plc, whereby the latter will acquire an ownership interest of approximately 16.2% in Sociedad de Servicios Radiofónicos Unión Radio, S.L. for a total investment of EUR 225 million.

## **25.- EVENTS AFTER THE BALANCE SHEET DATE**

On 14 January 2008, the CNMV announced that it had admitted for consideration the takeover bid launched by Promotora de Informaciones, S.A. for shares of Sogecable, S.A.

In the period from 31 December 2007 to 31 January 2008, the date on which the Prisa share option plan expired, no additional options were exercised by the beneficiaries.

## **26.- STATEMENTS OF CHANGES IN FINANCIAL POSITION**

Following are the statements of changes in financial position of Promotora de Informaciones, S.A. for 2007 and 2006 (in thousands of euros):

**Statements of changes in financial position for 2007 and 2006**  
(Thousands of Euros)

APPLICATION OF FUNDS	2007	2006	SOURCE OF FUNDS	2007	2006
<b>1. ADDITIONS TO:</b>			<b>1. FUNDS OBTAINED FROM OPERATIONS</b>		
Start-up costs	206	-	Profit for the year	125,420	210,044
Intangible assets	5,698	3,738	Depreciation and amortisation charge	110,281	137,747
Property, plant and equipment	315	1,723	Deferred charges taken to profit or loss	2,481	2,862
Long-term investments			Change in investment valuation allowances	2,667	1,724
Associates			Additions to investment valuation allowances	30,171	73,819
Other investments	152,464	1,540,201	Additions to provisions for contingencies and charges	8,205	22,011
	-	2,712	Amounts used of investment valuation allowances	(27,578)	(21,900)
	137,258	127,439	Amounts used of provisions for contingencies and charges	(806)	(6,087)
<b>2. TREASURY SHARES</b>			Gains on non-current assets	(1)	(97)
Acquisition of treasury shares	283	7,819	Losses on non-current assets	-	1
	33,705	30,204	Deferred income taken to profit or loss	-	(36)
<b>3. DIVIDENDS PAID</b>			<b>2. CAPITAL INCREASE - REDEEMABLE SHARE ISSUE</b>	20,677	-
	1,322	1,322	<b>3. TREASURY SHARES</b>		
<b>4. DIRECTORS' REMUNERATION</b>			Delivery of treasury shares	63	63
	107,019	300,819	Disposal of treasury shares	-	1,641
<b>5. REPAYMENT OR TRANSFER TO SHORT TERM OF NON-CURRENT LIABILITIES</b>			<b>4. INCREASE IN OR TRANSFER OF CURRENT LIABILITIES TO NON-CURRENT LIABILITIES</b>		
	2,884	11,740		537,981	1,503,818
<b>6. INCREASE IN DEFERRED CHARGES</b>			<b>5. DISPOSAL OF:</b>		
	11,803	9,706	Intangible assets	-	5
<b>7. TRANSFER TO LONG-TERM INVESTMENTS OF SHORT-TERM LOANS</b>			Property, plant and equipment	-	4
	16,348	-	Long-term investments		
<b>8. PROVISION FOR REDEEMABLE SHARES</b>			Group companies and associates	50,070	117
			Other investments	11,941	22,970
			<b>6. TRANSFER TO SHORT TERM OF NON-CURRENT ASSETS</b>	1,380	3,390
<b>TOTAL FUNDS APPLIED</b>	<b>469,305</b>	<b>2,037,423</b>	<b>TOTAL FUNDS OBTAINED</b>	<b>747,532</b>	<b>1,742,052</b>
<b>CHANGE IN WORKING CAPITAL (Increase)</b>	<b>278,227</b>	<b>-</b>	<b>CHANGE IN WORKING CAPITAL (Decrease)</b>	<b>-</b>	<b>295,371</b>



Change in working capital in 2007 and 2006  
(Thousands of Euros)

	INCREASE		DECREASE	
	2007	2006	2007	2006
<i>Accounts receivable</i>	-	29,164	28,080	-
<i>Accounts payable</i>	264,814	-	-	439,795
<i>Short-term investments</i>	41,994	114,802	-	-
<i>Cash</i>	21	1,965	-	-
<i>Accrual accounts</i>	-	-	522	1,507
<b>Total</b>	<b>306,829</b>	<b>145,931</b>	<b>28,602</b>	<b>441,302</b>
<b>CHANGE IN WORKING CAPITAL</b>	<b>278,227</b>	<b>-</b>	<b>-</b>	<b>295,371</b>

## **27.- 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.

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

Individual Directors' Report  
for 2007

*Translation of a report originally issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails.*

**PROMOTORA DE INFORMACIONES, S.A. (PRISA)**  
**DIRECTORS' REPORT**  
**FOR 2007**

## **1. BUSINESS PERFORMANCE**

Promotora de Informaciones, S.A. (Prisa) is the company which heads 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.

In 2007 the Group continued to implement its strategy of expanding and consolidating its presence in the audiovisual markets, mainly by increasing its ownership interest in the Media Capital Group and launching a takeover bid for all the share capital of Sogecable at the end of December. These transactions have had a significant effect on the size of the Group and impacted both the diversification of its business portfolio and its sources of income. This strategy also consolidates the Group's presence in the Media sector, where it operates as the largest global education, news and entertainment group in Spanish-speaking markets.

### *Organisational and management matters-*

The Group is organised at global level into the following main lines of business:

- Audiovisual
- Press
- Radio
- Education
- Digital

Also, the Group engages in other business activities relating to the media management, distribution, real estate and corporate businesses.

In addition, in 2007 the Group made progress with its project for the implementation of an integrated common management system for all the companies included in it in Spain and abroad. This project strengthens both the rationalisation of operating processes and the standardisation of business models at world level and will improve the management and control of resources in all countries and business areas.

### *Investing activities-*

*Spanish audiovisual business:* on 20 December 2007, Prisa announced that it had entered into an **irrevocable agreement** with Eventos, S.A. whereby the latter undertook to sell and transfer to Prisa its 2.94% ownership interest in Sogecable in the framework of a takeover bid launched by Prisa at a price per ordinary class A share of EUR 27.98. This

agreement guarantees that Prisa will own more than half the share capital of Sogecable and that Eventos, S.A. will sell its shares at that price offered. On that same date, the Board of Directors of Prisa resolved to launch a **mandatory takeover bid** for all the shares of Sogecable.

On 28 December 2007, Prisa submitted to the Spanish National Securities Market Commission (CNMV) an application for authorisation of the takeover bid for shares of Sogecable together with the duly signed information memorandum and the related supplementary documentation. Also, Prisa informed the CNMV that for technical reasons it had raised the price of the bid to EUR 28 per share.

*Media business in Portugal:* in 2005, 2006 and 2007 Prisa consolidated its presence in the Portuguese market through the investments and transactions performed by its wholly-owned subsidiary Vertex, S.G.P.S., S.A. The salient events of this process were as follows:

- In November 2005 Prisa acquired a 33% stake in the share capital of the Media Capital S.G.P.S., S.A. Group.
- In October 2006 Prisa submitted to the Portuguese Securities Market Commission (CNVM) the preliminary announcement of a voluntary takeover bid for all the share capital of the Media Capital S.G.P.S., S.A. group, at a price of EUR 7.40 per share.
- The acceptance period ended on 5 February 2007 and the offer was accepted by shares representing 40.70% of the company's share capital. As a result of this transaction, Prisa's indirect ownership interest in the Media Capital, S.G.P.S., S.A. Group stood at 73.70%.
- On 6 February 2007, Prisa submitted to the Portuguese CNVM the preliminary announcement of a mandatory takeover bid for 100% of the Media Capital, S.G.P.S., S.A. Group. The new offer is targeted at the remaining 26.30% of the Media Capital, S.G.P.S., S.A. Group.
- The period for acceptance of the mandatory takeover bid ended on 23 July 2007, and was accepted by the holders of shares representing 20.69% of the company's share capital, giving Prisa an indirect ownership interest in the Media Capital, S.G.P.S., S.A. Group of 94.39%
- In November 2007 Prisa acquired an additional holding of 0.3% in the Media Capital, S.G.P.S., S.A. Group, increasing its percentage of ownership to 94.69%

*Radio business in Spain and abroad:* in July 2007 announced that through Grupo Latino de Radiodifusión Chile Ltda. (GLR Chile), a subsidiary of Unión Radio, it had formalised the acquisition of all the shares of **Iberoamericana Radio Chile, S.A. (IARC)** from Claxson Chile, S.A. The acquisition was authorised by the Chilean Antitrust Agency (TDLC), which imposed certain conditions.

### *Results and profitability-*

Prisa's results depend directly on 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 net worth position of its subsidiaries also give rise to increases and decreases in the value of its investment portfolio.

The profit reported in 2007 consolidates the growth trend, outperforming the market, which the Prisa Group has sustained in recent years. With respect to 2006, revenue increased by over 31% and the profit from operations by 81.8%, while EBITDA rose by 46.7%. Also worthy of mention were the improved operating margins as a result of the sound trend in the Group's operations. Consolidated earnings per share amounted to EUR 0.92 in 2007, as compared with the EUR 1.10 achieved in 2006.

### *Financing activities-*

The Group had to increase its level of indebtedness to finance the acquisitions made in 2005, 2006 and 2007. In order to reach a more efficient and economic financial structure based on the conditions prevailing in the financial market in 2007, in June 2007 Prisa restructured its financial debt and entered into a six-year syndicated loan agreement with a group of 39 banks, including leading international and domestic banks, for a maximum amount of EUR 2,050,000 thousand. The response and support received from the banking community in the syndication process were highly satisfactory.

Also, in December 2007 Prisa entered into a six-month syndicated bridge loan agreement with a leading bank for a maximum amount of EUR 4,230,000 thousand to cover the financial obligations arising from the takeover bid for all the shares of Sogecable, S.A.

## **2. EVENTS AFTER THE BALANCE SHEET DATE**

On 14 January 2008, the CNMV announced that it had admitted for consideration the takeover bid launched by Promotora de Informaciones, S.A. for shares of Sogecable, S.A.

Prisa and the Godó Group entered into a memorandum of understanding with 3i Europe whereby the latter will acquire an ownership interest of approximately 16.2% in Unión Radio, through a mixed share purchase and capital increase transaction, for a total investment of EUR 225 million. The acquisition of this ownership by the new shareholder will facilitate the growth of Unión Radio in Latin America and, in particular, the expansion plan in the Spanish-speaking market in the US.

### 3. PRINCIPAL RISKS ASSOCIATED WITH THE BUSINESS

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

The activities of the Group, and hence its operations and results, are exposed to risks inherent to its business operations and also to risks arising from external factors, such as the macroeconomic situation, the performance of its markets (advertising, publishing, etc.), regulatory changes, the emergence of new competitors and the performance of its competitors. The activities carried on by the Group's business units abroad, mainly in Latin America, are exposed to additional risks associated with exchange rate fluctuations and with the economic and political situation of the country concerned.

The foreign currency risk assumed by the Group relates mainly to the following transactions:

- Results from activities carried on in non-euro area countries which are tied to the fluctuations in their respective currencies: around 19% of the Group's results (before minority interests and taxes) at 31 December 2007 were generated in America.
- Transactions with foreign suppliers and providers: the growth in the Group's audiovisual business gave rise to an increase in transactions and agreements with foreign suppliers and providers of content (mainly in the United States).
- Financial investments made to acquire ownership interests in foreign companies: these are long-term investments aimed at maintaining stable ownership interests in companies, although such investments are exposed to changes in their net asset value, not only as a result of their activity, but also due to the effect of exchange rate fluctuations.
- Debt denominated in foreign currency: 1.9% of the Group's total bank financing at 31 December 2007 was denominated in foreign currency.

For risk management and monitoring purposes, the Group classifies the main risks to which it is exposed in the following categories:

- a. Strategic risks
- b. Business process risk
- c. Financial management risks
- d. Financial reporting reliability risks
- e. Technological risks

The Corporate Governance Report provides greater details on each risk category and on the bodies and specific actions in place to detect, measure, monitor and manage these risks.

#### 4. USE OF FINANCIAL INSTRUMENTS

Prisa arranges interest rate and exchange rate hedging contracts when the forecast market performance so advises. At 31 December 2007, Prisa had foreign currency hedging contracts in force amounting to EUR 35,000 thousand, all maturing at short term. In conformity with the syndicated financing agreement entered into in 2007, the Company arranged interest rate hedges providing for interest rate caps. These hedging contracts mature in September 2011 and the hedged notional amount is 40% of the syndicated loan balance outstanding at 31 December 2007. Hedges are settled quarterly, coinciding with the loan interest settlement periods.

#### 5. TREASURY SHARES

At 31 December 2007, Promotora de Informaciones, S.A. owned a total of 10,940,625 treasury shares, representing 4.96% of its share capital. The total cost of these shares was EUR 39,101 thousand, with a cost per share of EUR 3.57.

The Company plans to use the full amount of the treasury shares it holds to cater for the exchangeable bond issue launched in 2003 through its subsidiary Prisa Finance (Netherlands) B.V.

#### 6. SHARE PERFORMANCE

##### *Prisa shares-*

Prisa shares closed 2007 at EUR 12.84, with a market capitalisation of EUR 2,810 million at 31 December 2007. Prisa shares are listed on the Madrid, Barcelona, Bilbao and Valencia stock exchanges.

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Number of ordinary shares:	218,812,500
Number of redeemable shares:	1,543,000
Free-float:	30.6%
Treasury shares*:	10,940,625
Earnings per share**:	0.92
Dividend yield***:	1.23%

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\* Treasury shares guaranteeing the exchangeable bond issue made in December 2003.

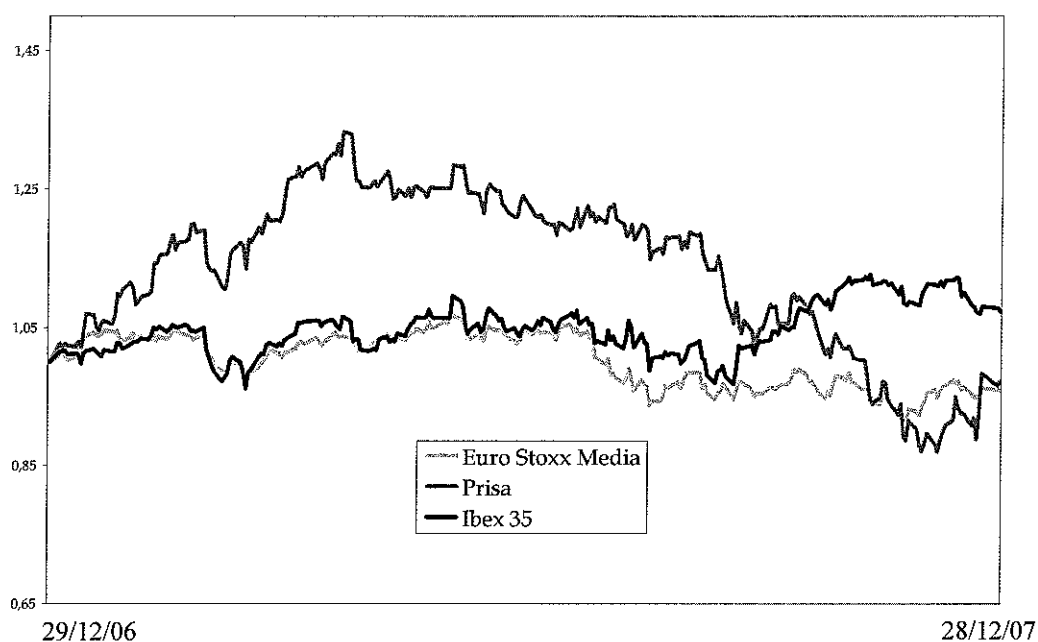
\*\* Excluding 10,940,625 treasury shares and the redeemable shares.

\*\*\* Calculated on the basis of the average market price for 2007.

##### *Share performance-*

Following is a comparison of the performance of Prisa shares from 29 December 2006 to 28 December 2007 with the Ibex and Euro Stoxx Media indexes:





#### Market price in 2007

Beginning (29/12/06)	13.21
High	17.60
Low	11.49
Average	14.97
Closing (28/12/07)	12.84

## 7. OUTLOOK

The media industry is sensitive to trends in the main macroeconomic variables and, in particular, to the advertising cycle. However, the Prisa Group's exposure to the performance of the advertising market is limited, due to the diversification of its revenue sources, with advertising revenue representing only 30% of total revenue in 2007, and to the leadership of its brands. Also, Prisa has solid businesses that are not affected by the economic cycle, such as educational publishing, which in 2007 accounted for 15% of the Group's total revenue. In addition, revenue from the international area in 2007 accounted for 20% of the Group's total revenue. Therefore, despite the publicly announced expectations of a possible cooling of the Spanish economy, the Group expects the various business units through which it operates to perform positively.

## 8. R&D ACTIVITIES

In 2007 the Company did not carry out any research and development activities.