



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

AUDIT COMMITTEE

**ANNUAL REPORT
2012**

Madrid, February 2013

(Free translation from the original in Spanish language)

ANNUAL REPORT OF THE AUDIT COMMITTEE 2012

I.- INTRODUCTION

The Audit Committee of PROMOTORA DE INFORMACIONES, S.A. (hereinafter PRISA or GRUPO PRISA where reference to the consolidated Group is made) issues this report to enable the Board of Directors to make available to shareholders information concerning the Committee's operations and activities during the 2012 financial year.

The Audit Committee (hereinafter the Committee) was set up in 2001 (under the name "Audit and Compliance Committee") and has progressively adapted its operations and composition to the rules and codes which have since then been published with a view to achieving maximum efficiency and transparency for listed companies.

The Committee is governed by the Eighteenth Additional Provision of the Securities Market Law (DA LMV) and, since 2010, also by the American law applicable to companies listed on the American market, particularly the Securities Act, the Securities Exchange Act and the Sarbanes Oxley Act. Likewise, the Committee is governed by Article 21bis of the Company Bylaws and by the Regulation of the Board of Directors of PRISA.

II.- COMPOSITION

The current composition of the Audit Committee is as follows:

Chairman: Mr. Mr. Juan Arena de la Mora - Independent External Director

Members: Mr. Alain Minc – Independent External Director.
Ms. Agnes Noguera Borel – External Director (representing a significant shareholding)
Mr. Emmanuel Román- Independent External Director.

The composition of the Committee complies with all legal requirements and with the internal rules of the Company:

Article 21 bis of the Articles of Association contains almost all of the provisions of the DA LMV regarding composition of the Audit Committee, providing that the majority of the Committee is comprised of non-executive Directors, and at least one of its members is independent and appointed based on knowledge and experience of accounting or audit matters, or both, and that the Chairman of the Committee is a non-executive director. In addition the DA LMV requires

that the members of the Committee have no contractual relationship with the Company other than the status to which they are appointed. Art. 24 of the Board Regulation also requires that adequate representation be given to independent directors and, in addition, if the Company's shares are traded, directly or indirectly, by way of other financial instruments, on the New York Stock Exchange (NYSE), that the composition of the Committee be adapted to the rules established by the legislation of the United States of America and the NYSE.

US legislation (section 10A-3 of the Securities Exchange Act of 1934, in the version given by section 301 of the Sarbanes-Oxley Act, and implementing rules of the NYSE) provide that all members of the Audit Committee must be independent directors (under the independence requirements contemplated in that legislation, which are different from those contemplated in the Spanish system). That legislation does not contemplate proprietary directors.

All members of the PRISA Audit Committee are independent directors for purposes of US legislation

Likewise, the committee's secretary is the secretary to the Board of Directors, in accordance with the mentioned internal rules.

III.- FUNCTIONS AND POWERS

Pursuant to the provisions of the Board of Directors Regulation, the main function of the Committee is to support the Board of Directors in its supervisory and management tasks.

As established by the mentioned Regulation, the Committee has the following basic responsibilities:

- a) To report at annual shareholders meetings on issues raised by shareholders, pursuant to the provisions of the Law and the Shareholders Meeting Regulation.
- b) In connection with the preparation and publication of the Company's financial information
 - i. Review legal compliance requirements and monitor proper application of generally accepted accounting principles, and report on the proposed changes to accounting principles and criteria suggested by management.
 - ii. Know and oversee the effectiveness of internal control systems of the Company, and risk management systems, and discuss with the auditors or audit firms significant weaknesses in internal control, identified in the development of audit

- iii. Oversee the preparation and presentation of financial information regulated.
 - iv. Review any admission or trading prospectus, and the information on the financial statements to be filed by the Board to the markets and to the Regulators.
- c) In connection with the external Auditor of the Company
- i. To propose to the Board of Directors the appointment of external account auditors pursuant to Section 263 of the Companies Act, to be submitted at the annual shareholders meeting.
 - ii. To report and propose to the Board the external Auditor engagement conditions, the scope of its charge, and, if is the case, the removal or not renewal of the Auditor, and the oversight of the engagement fulfillment.
 - iii. To maintain contact with the external auditors in order to receive information on those issues related to the accounts auditing process, together with any other communication provided for in accounts auditing legislation and rules.
 - iv. To receive from the external auditors any information about all the issues that may compromise the Auditor's independence. In any event, the Committee shall receive every year written confirmation from the Auditor of its independence from the entity or entities linked to auditors, directly or indirectly, and information of any additional services provided to these entities by external auditors, or by persons or entities linked to them in accordance with the provisions of Law 19/1988 of July 12, Audit of Accounts.
 - v. Pre-approve, before its execution, any engagement with the Company's Auditor, for any works related with audit services or any other kind of services rendered by the Auditor.
 - vi. To issue every year, prior to the issuance of the Audit Report, a report expressing an opinion on the independence of external auditors. This report shall, in any case, make reference on the provisions of additional services rendered by the Auditor.
- d) In connection with the Internal Audit services
- i. To propose the selection, appointment, reappointment or removal of the person in charge of the company's internal audit service.

- ii. To oversee internal auditing services and the annual report of the Internal Audit Department.
- e) Other competences
 - i. To analyze and issue opinions concerning specific investment transactions when, owing to their importance, the Board so requests
 - ii. To issue opinions concerning the creation or acquisition of interests in entities domiciled in countries or territories considered as tax havens.
 - iii. To exercise all other powers granted the committee in the Rules of the Board of Directors.
 - iv. To approve an annual report about the Committee performance and propose to the Board the edition when the Shareholders is called.

The Audit Committee also supervises the whistleblowing channel, which allows employees to report any potentially important irregularities, especially of a financial or accounting nature, that they may detect within the company. Any reports submitted through the whistleblowing channel by employees of the Company or the Group will be treated in confidence and anonymously.

In accordance with the provisions of the Board of Directors Regulation, the Committee may seek external advice when it deems it warranted when carrying out its functions.

IV.- MEETINGS

Pursuant to the Board of Directors Regulation, the Audit Committee shall meet periodically as required and at least four (4) times a year.

During 2012 the Committee had met six times (on January 20, February 22, April 20, July 20, October 19 and December 19, 2012) and the principal matters discussed were the following:

Compliance with and adaptation to international legal requirements deriving from listing on multiple exchanges: Internal Control of Financial Reporting

The Committee has monitored the continuing work that has been developed for the adaptation of the Company to the internal control measures provided by the Spanish Law (Internal Control System of Financial Reporting contemplated in the Sustainable Economy Act) and by the American Law (Sarbanes-Oxley Act (SOX) and Securities Act of 1934), which enforceability derives from the double listing of the Company's shares in Spain and the United States of America.

In particular, the Director of Internal Audit reported, unit by unit, on implementation of the SOX-compliant internal control model, while the external auditor reported on the results of its assessment of the Group's internal control system.

Review of Financial Reporting

Under this point it should be noted the review of the annual accounts for the 2011 financial year and the preparation of the periodic public reporting for 2012.

Consistent with the practice of this Committee, in January 2012 the external auditor met with the Committee to provide the preliminary results of its report on the accounts for the 2011 financial year. Subsequently within the Audit Committee prior to preparation of the Group accounts (February 2012), the external auditor presented its conclusions regarding the audit of the consolidated annual accounts of PRISA for that financial year, in accordance with Spanish rules and at the Audit Committee held in April 2012 presented the results of the audit of the 2011 Group accounts in accordance with US rules (PCAOB). The outside auditor also attended the meeting held by the Board of Directors prior to the Annual Ordinary Shareholders Meeting, reporting on its conclusions and results of the audit performed.

The Committee reviewed the periodic (quarterly and half-yearly) reports published by the Company in compliance with legal requirements. It was assisted in this task by the outside auditor, which conducted a limited review of the half-yearly reports, the results of which were presented to the Audit Committee at its meeting in July.

Finally, during the final months of 2012 and in the beginning of 2013 the outside auditor also met with the Committee to offer its first analysis of the accounts for the 2012 financial year.

Outside auditor

Appointment of Auditor: As indicated in section 5.1. below, the Committee resolved to propose to the Board the extension of the appointment of the auditor, Deloitte, S.L., for the 2012 fiscal year. The General Meeting of Shareholders approved that proposal.

Independence of the outside auditor: The regulatory requirements in this regard have been fulfilled, as reported under heading 5.3 below.

Prior approval of other professional engagements: In compliance with section 201 of the Sarbanes-Oxley Act the Committee approved the procedure for prior approval of any proposal for the engagement of the services of the outside

auditor, to perform any new work (auditing or consulting) that the Company or any of its subsidiaries wishes to assign to it in 2012. In addition, at subsequent meetings of the Committee specific proposals for engaging the services of the Auditor were reviewed and, if applicable, approved.

Professional fees: The Committee approved the proposed professional fees of the outside auditor for audit of the annual accounts for the 2011 financial year. The Committee also approved the outside auditor's proposed fees for 2012.

Attendance of outside auditor at meetings of the Board and Committee: The team responsible for the audit of accounts attended all meetings of the Committee and to one meeting of the Board of Directors.

Risk control.

The Committee approved the risk control section of the Corporate Governance Report for the 2011 financial year.

The Internal Audit Department presented the risk map, prepared in collaboration with the heads of the business units, and the Committee analyzed the main risks detected.

Internal audit work

The Internal Audit Manager presented the 2012 Internal Audit Plan to the Committee, and reported at the various meetings held during the year on the degree of progress of the Plan, the results of work undertaken by her department, and the methodology and scope of the internal audit projects, including specific systems audit projects.

The Committee has continued to analyze the composition of Company's staff dedicated to internal audit.

Other matters

Whistleblowing Channel: The Internal Audit Manager has reported on the functioning of the whistleblowing channel, that was implemented in fulfillment of section 301(4) of the Sarbanes-Oxley Act, and that allows to fill complaints and claims by employees and/or third parties.

20-F Registration Document: The Form 20-F for 2011 (a report prepared by the Company for submission to the Securities and Exchange Commission (SEC), incorporating the corporate documentation and financial statements at December 31) was reviewed by the Committee, which reported on the Form to the Board.

The outside auditor reviewed the Form 20-F in accordance with PCAOB standards and issued an unqualified opinion on the financial statements for 2011.

Report of the Audit Committee: The Audit Committee Report for the 2011 financial year was approved.

V.- EXTERNAL AUDITORS

5.1. Relations with the External Auditors

The Committee proposed that the Board of Directors extend the appointment of DELOITTE, S.L. as auditors of the accounts of the Company and its Consolidated Group for the term of one year. Based on the Board of Directors' proposal, the shareholders present at the General Shareholders' Meeting of PRISA on June 30, 2012 passed a resolution to appoint that firm to audit the financial statements corresponding to the 2012 financial year.

As noted above, the Committee customarily conducts a periodic review of the Company's and Group's annual accounts and financial information and the risks this may involve. To this end, during 2012, the team of Deloitte that is in charge of the external audit of the Company and its Consolidated Group attended to all meetings held by the Committee, and has reported on the most relevant aspects of the external audit.

The fees paid in 2012 for DELOITTE, S.L.'s auditing services provided to GRUPO PRISA companies, subsidiaries and other related entities amounted to 2,345,000 euros, of which 438,000 euros were for services rendered to PRISA. Fees paid to other auditors who participated in the audit of the Group's companies amounted to 339,000 euros.

The fees for other professional services provided to Group companies by the principal auditors and its associate companies, as well as by other auditors participating in the audits of various Group companies, are the following (in euros 000):

	2012	
	Principal Auditors	Other Auditors
Other attest services	277	240
Tax services	519	257
Other services	213	284
Total other professional services	1,009	781

The foregoing information concerning professional fees shall be included in PRISA's individual annual report and in the consolidated annual report of GRUPO PRISA for the 2012 financial year.

5.2. External Audit Reports

Auditors' report on the consolidated financial statements for 2009, 2010 and 2011, prepared in accordance with PCAOB standards, and auditors' report on the system of internal control of financial reporting for 2011

As indicated previously, the Form 20-F for 2011 was reviewed by the auditors, who in April 2012 issued an unqualified opinion, in accordance with PCAOB standards, on the financial statements for 2009, 2010 and 2011. In compliance with the Sarbanes Oxley Act, the 20-F Form included for the first time the outside auditor's report on the system of internal control of financial reporting, implemented by the Group in 2011. In the outside auditor's opinion, during 2011 Prisa maintained, in every relevant respect, effective internal control of its financial reporting.

Limited review of the abridged consolidated interim financial statements at June 30, 2012

In 2012 Deloitte conducted a limited review of the abridged interim financial statements of the Group.

In the auditor's opinion, issued on July 26, 2012, there was nothing to indicate that the interim financial statements of the Group had not been prepared in accordance with the requirements of International Accounting Standard (IAS) 34 on Interim Financial Reporting.

Auditors' report on the financial statements for 2012

At the meeting of the Committee held on February 27, 2013, the outside auditors presented their conclusions on the audit of the individual and consolidated financial statements of Promotora de Informaciones, S.A. for 2012, which give in all material respects a true and fair view of the assets and liabilities, financial situation and results of operations, the changes in equity and the cash flows of Prisa and its consolidated group, respectively.

5.3. Independence of the External Auditor

In compliance with the Eighteenth Additional Provision of the Securities Market Act (as amended by Law 12/2010 of June 30) and sections f) and g) of Article 24 of the Board of Directors Regulation:

- i) The Committee has received from the external auditor written confirmation of its independence, as well as information concerning the fees of the principal auditor and its related entities for professional services rendered to different Grupo Prisa companies (as explained in section 5.1. above), pursuant to the provisions of the Accounts Audit Act;
- ii) In view of the foregoing, at its meeting held on February 27, 2013 the Committee issued a report verifying the independence of the external auditors.

VI.- INTERNAL AUDIT

The principal objective of the Internal Audit Department is to provide GRUPO PRISA management and the Audit Committee with the reasonable assurance that the environment and systems of internal control in place in the Group companies have been correctly designed and managed.

To achieve that objective, the Department carries out the functions it has been assigned, which include:

- a. Evaluating the suitability of internal control systems to increase the effectiveness of procedures to manage and control the risks inherent in Group company activities.
- b. Reviewing operations with a view to verifying whether the results achieved meet the established objectives and goals, and to ensure that operations and programs are being implemented and carried out as planned.
- c. Obtaining independent opinions and advice concerning the interpretation and application of current accounting legislation and norms.
- d. Evaluating the efficiency with which Group resources are used.
- e. Reviewing measures to safeguard assets and to verify their existence.
- f. Reviewing the feasibility and integrity of the Group companies' operational and financial information, and the means used to identify, evaluate, classify and disseminate that information.

The Internal Audit Director designs an Annual Internal Auditing Plan based on the identification and evaluation of risks inherent in the activities carried out by Grupo Prisa's business units, in order to determine priorities with respect to internal auditing activities that are consistent with the goals defined by the Organization.

The Annual Internal Auditing Plan reflects the activities that the Internal Auditors plan to carry out during the financial year. The plan, which is included within the multi-year, strategic plan of the function, specifically sets forth the activities and projects to be undertaken, the nature of the work to be done, and the resources of the Internal Audit Department to be assigned to each project.

The most significant projects carried out by the Internal Audit Department during the 2012 financial year include:

- a. Coordinated and supervised the review of the model of internal control of financial reporting in the Prisa Group, based on the general framework established by COSO. In reviewing the design of the internal control model, the Department assessed the Group's internal and external risks and defined the necessary controls to mitigate any new risks arising from the environment and the activities carried out by the Group.
- b. Assessed the operation of the control activities defined in the Group's model of internal control of financial reporting in order to certify the model's effectiveness under SOX.
- c. Reviewed the degree of compliance with the valuation and accounting rules established by the Group, and assessed the adequacy and effectiveness of the internal control environment in place in the Grupo Santillana companies in Mexico, Guatemala, El Salvador, Bolivia, Paraguay and Honduras, and in the Prisa Radio companies belonging to the Gran Vía Musical subgroup, whose principal activity is the provision of musical services, music publishing, and event and artist management.
- d. Reviewed the reliability and integrity of the financial information reported to the Prisa Group and the effectiveness of the internal control system of the Prisa Radio companies in Mexico.
- e. Reviewed the degree of compliance with the valuation and accounting rules established by the Group in the pay-TV company Distribuidora de Televisión Digital, S.A. and in Audiovisual Sport, S.L.
- f. Reviewed the internal control system of the newspaper companies responsible for the publication, operation and administration of the daily *El País* in Spain, and the reasonableness of the financial reporting by these companies.
- g. Reviewed the reliability and integrity of the financial information reported to the Prisa Group by Prisa Digital, the company that coordinates the Group's digital development.

The Internal Audit Manager attended all of the Committee's meetings in 2012, specifically informing the Committee about the activities of the Internal Audit Department, the annual internal audit plan, changes in the Group's risk map and developments in the system of internal control of financial reporting.

VII.- EVALUATION OF THE AUDIT COMMITTEE

Within the framework of the process for evaluation of the Board, contemplated in art. 5 of the Board of Directors Regulation, the members of the Audit Committee evaluated the composition and functioning thereof and reported their conclusions to the Board.