



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

AUDIT COMMITTEE

**ANNUAL REPORT
2013**

Madrid, March 2014

(Free translation from the original in Spanish language)

ANNUAL REPORT OF THE AUDIT COMMITTEE 2013

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 2013 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. Juan Arena de la Mora - Independent External Director

Members: Mr. Alain Minc – Independent External Director.
Mr. Emmanuel Román- Independent External Director.
Mr. Claudio Boada Pallerés- Independent External Director.

During the year 2013 there were no changes in the composition of the Committee.

In February 2014 the director Ms Agnes Noguera Borel was replaced by Mr. Claudio Boada Pallerés.

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 2013 the Committee had met 7 times (on February 7 and 24, March 20, May 8, July 23, October 22 and December 18) 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 and compliance 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 2012 financial year and the preparation of the periodic public reporting for 2013.

Consistent with the practice of this Committee, on February 7, 2013 the external auditor met with the Committee to provide the preliminary results of its report on the accounts for the 2012 financial year. Subsequently within the Audit Committee prior to preparation of the Group accounts (also in February 2013), 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 March 2013 presented the results of the audit of the 2012 Group accounts in accordance with US rules (PCAOB). The auditor also attended the meeting of the Board prior to the General Shareholders Meeting (June 2013), reporting on the scope and results of the audits carried out.

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 2013.

Finally, during the final months of 2013 and in the beginning of 2014 the outside auditor also met with the Committee to offer its first analysis of the accounts for the 2013 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 2013 fiscal year. The General Meeting of Shareholders approved that proposal.

Likewise, the Committee resolved to propose the appointment of the auditor, Deloitte, S.L., for the 2014 fiscal year.

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 the Sarbanes-Oxley Act the Committee, at its different meetings, has analysed 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 2013 financial year.

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 management system and internal control system of Financial Reporting (SCIIF) sections of the Annual Corporate Governance Report for the 2013 financial year.

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

Also managers responsible for specific business units and the Director of Systems of PRISA, attended some meetings of the Committee to explain the control framework in the different business units of the Group.

Internal audit projects

The Internal Audit Manager has presented the 2013 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.

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

Treasury Shares Policy

The Committee has noticed the recommendations adopted by the CNMV concerning treasury stock, among which is the monthly reporting to the Audit Committee on the negotiations conducted with treasury shares.

In compliance therewith, the Committee has been informed monthly of the movements performed in the Company's treasury.

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 2012 Form 20-F for 2012 that was submitted 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 information for 2012.

Report on control activities: Chairman of the Audit Committee presented to the Commission and then the Board a report on the evolution of control activities in the Group in the period 2010-2013.

Report of the Audit Committee: The Audit Committee Report for the 2012 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 22, 2013 passed a resolution to appoint that firm to audit the financial statements corresponding to the 2013 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 2013, 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 2013 fees for DELOITTE, S.L. and its related entities' auditing services provided to GRUPO PRISA companies, subsidiaries and other related entities

amounted to 2,432,000 euros, of which 448,000 euros were for services rendered to PRISA, including 258,000 euros in cost for the 2013 audit of the consolidated group in accordance with the auditing standards of the PCAOB. Fees paid to other auditors who participated in the 2013 audit of the Group's companies amounted to 269,000 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):

	2013	
	Principal Auditors	Other Auditors
Other attest services	250	296
Tax services	527	209
Other services	163	2,623
Total other professional services	940	3,128

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 2013 financial year.

5.2. External Audit Reports

Auditors' report on the consolidated financial statements for 2010, 2011 and 2012, prepared in accordance with PCAOB standards, and auditors' report on the system of internal control of financial reporting for 2012

As indicated previously, the Form 20-F for 2012 was reviewed by the auditors, who in March 2013 issued an unqualified opinion, in accordance with PCAOB standards, on the financial statements for 2010, 2011 and 2013. In compliance with the Sarbanes Oxley Act, the 20-F Form included the outside auditor's report on the 2012 system of internal control of financial reporting. In the outside auditor's opinion, during 2012 Prisa maintained, in every relevant respect, effective internal control of its 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.

Limited review of the abridged consolidated interim financial statements at June 30, 2013

In 2013 Deloitte conducted a limited review of the abridged interim financial statements of the Group.

In the auditor's opinion, issued on July 25, 2013, the interim financial statements at June 30, 2013 were, in all material respects, prepared in accordance with the requirements established by International Accounting Standards. The auditor's report also stated an uncertainty regarding the capacity of the Group to continue with its operations, deriving from the short-term maturity of certain loans in the amount of 1.282 billion euros, included within the process for the restructuring of the Group's debt. The debt restructuring process, which at the date of issue of the June financial statements had the support of creditors representing 72.9% of the debt, was approved in December 2013.

Special report of the outside auditor on the issue of warrants giving the right to subscribe class A common shares, by way of setoff of credits, for the purposes contemplated in article 301 of the Capital Companies Act.

The Extraordinary Shareholders Meeting held on December 10, 2013, approved an issue of warrants and the corresponding increase of capital by way of setoff of credits to cover those warrants, within the context of the process of refinancing the Company's bank indebtedness. The warrants were for certain institutional investors, creditors of the Company.

For the purposes contemplated in article 301 of the Capital Companies Act, Deloitte on November 7, 2013, issued a first special report on the proposed resolution the Board of Directors submitted to approval of the Extraordinary Shareholders Meeting, and issued a second supplementary report, dated December 13, 2013, verifying that all of the credits to be set off in that capital increase were net, due and payable, to the extent of at least 25%, and that the maturity of the remainder did not extend beyond 5 years.

Special report of BDO, Auditores, S.L. (independent auditor appointed by the Madrid Commercial Registry) regarding the issue of warrants giving the right to subscription of class A common shares, by way of setoff of credits, for the purposes contemplated in article 414.2 of the Capital Companies Act.

Because of the issue of warrants described in the preceding section, BDO Auditores, S.L., the independent auditor appointed for these purposes by the Madrid Commercial Registry, issued a report dated November 7, 2013 on the

bases for and forms of conversion of the warrants, for the purposes contemplated in article 414.2 of the Capital Companies Act.

Auditors' report on the financial statements for 2013

At the meeting of the Committee held on March 18, 2014, the outside auditors presented their conclusions on the audit of the individual and consolidated financial statements of Promotora de Informaciones, S.A. for 2013, 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 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. Review of the reliability and integrity of the financial and operating information of the Group companies, and the means used to identify, evaluate, classify and report that information.

- c. Obtaining independent opinions and advice concerning the interpretation and application of current accounting legislation and norms.
- d. Reviewing measures to safeguard assets and to verify their existence.

The Internal Audit Director designs an Annual 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 Plan reflects the activities to carry out during the financial year. The plan, which is included within the multi-year strategic plan of the audit, 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 Internal Audit during the 2013 financial year include:

- a. Supervision of the design of the internal control model regarding financial reporting of the Prisa Group, based on the general framework established by COSO.
- b. Evaluation of the design and functioning of the control activities defined in the internal control model for financial reporting of the Group, in order to certify the effectiveness thereof in accordance with the SOX Act.
- c. Coordination and supervision of the implementation of the internal control model for financial information in the radio companies comprising the Caracol group in Columbia, and review of the functioning of the defined control activities.
- d. Review of the degree of compliance with the evaluation and accounting entry rules established for the Group, and evaluation of the adequacy and effectiveness of the internal control structure being used in Prisa, in the companies in the Santillana Group located in Portugal, Peru and Sao Paolo, in the company developing the Sistema UNO in Mexico, in the distributor of the publishing business in Spain, Ithaca and in the Prisa Radio companies located in Colombia, Costa Rica and Panama.
- e. Review of the reliability and integrity of the financial information reported to the Prisa Group and the effectiveness of the internal control system in the company that engages in the free television activity in Portugal, Televisao Independente, S.A. (TVI) and in the companies in the Antena 3 Radio subgroup in Spain.

f. Review of the internal control system of the newspaper companies engaged in publishing and exploitation of the AS and Cinco Días daily newspapers, and the Group magazines in Spain, as well as the reasonableness of the financial information reported by these companies.

The Internal Audit Manager attended all of the Committee's meetings in 2013, specifically informing the Committee about the activities of the Internal Audit Department, the annual 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.