PROMOTORA DE INFORMACIONES, S.A. (PRISA)

AUDIT COMMITTEE

ANNUAL REPORT 2015

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Madrid, February 2016

(Free translation from the original in Spanish language)
I. INTRODUCTION

The Audit Committee of PROMOTORA DE INFORMACIONES, S.A. (hereinafter PRISA, the Company 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 2015 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 article 529 quaterdecies of the Capital Companies Act and by the internal rules of the Company: Article 25 of the Company Bylaws and by the Board of Directors Regulation of PRISA.

II. COMPOSITION

The current composition of the Audit Committee is as follows:

Chairman: Mr. Alain Minc - Independent External Director

Members: Mr. Jose Luis Leal Maldonado – Independent External Director.
         Mr. Claudio Boada Pallerés- Other external Director.

During the 2015 financial year the Committee has reduced in size, going down from 5 to 3 members. The following changes have been made in the composition of this Committee:

i. Mr. Fernando Abril-Martorell and Mr. Emmanuel Román resigned as directors, and therefore ceased to be part of the Audit Committee, in March 2015 and the same occurred with Mr. Juan Arena de la Mora in October 2015.

ii. In December 2015 Mr. Jose Luis Leal Maldonado was appointed as a member of the Audit Committee, with a report in favour of the appointment from the Appointments and Remuneration Committee and the Corporate Governance Committee.

The composition of the Audit Committee complies with all legal requirements and with the internal rules of the Company (Article 25 of the Company Bylaws and article 27 of the Board of Directors Regulation of PRISA):
i. The Audit Committee will be comprised of the number of Directors from time to time determined by the Board of Directors, with a minimum of three (3) and a maximum of five (5).

ii. The Committee must be comprised exclusively of non-executive directors appointed by the Board of Directors and at least two of its members must be independent. The Chairman of the Committee must be an independent director.

iii. At least one of the members must be appointed based on knowledge and experience of accounting or audit matters, or both. For these purposes it is noted for the record that all the members of the Audit Committee are highly respected professionals with wide knowledge and experience in this area.

iv. Likewise, the committee’s secretary is the secretary to the Board of Directors, in accordance with the aforesaid internal rules.

III.- FUNCTIONS AND POWERS

The 2015 financial year saw the culmination of the process of reviewing the Company’s internal corporate governance rules in order to adapt them to the reform of the Capital Companies Act that was approved in December 2014, and to the new recommendations in the CNMV’s “Good Governance Code”.

The functions of the Audit Committee have been reviewed in the context of the aforementioned reform and, in accordance with article 27.3 of the Board of Directors Regulation, the Audit Committee will have the competencies contained in the regulations applicable from time to time, and will also have the competence to evaluate all aspects of the non-financial risks the company is exposed to, including operational, technological, legal, social, environmental, political and reputational risks.

Likewise and as provided in the Board of Directors Regulation, the Audit Committee also supervises the whistleblowing channel, which allows employees to report any potentially important irregularities that they may detect within the Group. In the case of reports from employees of the Company or its Group, this mechanism will provide for confidentiality and anonymity of the reports.

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 2015 the Committee met 7 times (on January 21, February 4 and 27, April 20, July 21, October 23 and December 18) and the principal matters discussed were the following:

Review of Financial Reporting

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Under this point should be emphasized that the review of the annual accounts for the 2014 financial year and the preparation of the periodic public reporting for 2015.

2014 fiscal year:

Consistent with the practice of this Committee, the external auditor has met several times with the Committee to inform on the preliminary results of its report on the accounts for the 2014 fiscal year.

At the Audit Committee prior to the approval of the Group's accounts, the external auditor presented its conclusions regarding the audit of 2014 consolidated annual accounts.

The auditor also attended a meeting of the Board of Directors to report on the scope and results of the audits carried out.

2015 fiscal year:

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 external 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 2015.

Likewise the external auditor reported on the planning of the audit of PRISA Group for 2015.

Finally, during the final months of 2015 and during the beginning of 2016 the external auditor also met with the Committee to offer its first analysis of the accounts for the 2015 fiscal year.

External 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 2015 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 2016 fiscal year.

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

Pre-approval of other professional engagements: During 2015 the Committee, at its different meetings, has analysed specific proposals for engaging the services of the Auditor and, when appropriate, has approved them in compliance with the pre-approval procedure.

Professional fees: The Committee approved the proposed professional fees of the external auditor for audit of the annual accounts for the 2015 fiscal year.
Attendance of external auditor at meetings of the Board and Committee: The team responsible for the audit of the Group accounts attended some meetings of the Committee and one meeting of the Board of Directors.

**Systems for Risk Management and Internal Control of financial information**

The Committee has looked at the results of the evaluation of the internal control of the Group and at whether it complies with the Spanish legislation (System for Internal Control of Financial Information set out in the Sustainable Economy Act [*Ley de Economía Sostenible*]).

In particular, the Internal Audit Manager has reported on the scope of the Group’s internal control system and its implementation in the 2015 financial year in the companies of Santillana in México devoted to the textbook business. She has also reported to the Committee on the results of the compliance tests on the internal control model by business unit and the external auditor has reported on the results of its evaluation of the Group’s internal control system. As far as COSO 2013 is concerned, the Company has anticipated the impact of it and incorporated the recommendations.

In relation to the risk management, the Internal Audit Department has presented the risk maps of the business units and of the Group, which were prepared with the involvement of the main people responsible for the business units, and the Group’s main risks have been analysed by the Committee.

The Committee has approved the paragraphs relating to the risk management systems and the System for Internal Control of Financial Information (SCIIF) in the Annual Corporate Governance Report corresponding to the 2015 fiscal year.

**Internal audit projects**

The Internal Audit Manager has reported on the closing of 2014 internal audit projects and has also presented the 2015 Internal Audit Plan to the Committee. She has also reported at the various meetings held during the year on the degree of progress of the Plan and on the results of work undertaken by her department.

**Treasury Shares Policy**

The Committee has been periodically informed on the movements performed in the Company’s treasury.

**Related operations**

As a result of the changes made to the Board of Directors Regulation and due to it being a legal requirement (article 529 quaterdecies 4.g.3 of the Capital Companies Act), the Committee has to give the Board of Directors advance notice of operations with related parties, something which has come within the competence of the Company’s Corporate Governance Committee.

During the 2015 fiscal year the Committee has reported on certain operations with related parties.
Other matters

Compliance Unit: As a result of the reforms to the Criminal Code [Código Penal] coming into force in July 2015, PRISA has set up a Compliance Unit (made up of the Secretary General of Grupo PRISA, PRISA’s Internal Audit Manager and PRISA’s Human Resources Manager). It has autonomous powers and control and comes under this Audit Committee, to which it reports.

In addition, compliance units have been set up in the sub-holding companies of the main business units of Grupo PRISA.

This Audit Committee, along with the Corporate Governance Committee, has encouraged the setting up of the Compliance Unit and the Committees have played an active part in its configuration and in the design of its operating rules.

The Compliance Unit is responsible for supervising the operation of and compliance with the Company’s crime prevention model, although its functions are not limited to the prevention of criminal risks. It also has to encourage ethical behaviour by employees and ensure compliance with the current legislation applicable to the activities of Grupo PRISA and with the organisation’s internal rules and regulations. An Operating Regulation to govern the Unit’s functions and activities has been approved.

Complaints Channel: The Internal Audit Manager has reported periodically on the operation of the complaints channel. This enables employees and/or third parties to make claims and complaints.

From when it was first set up the complaints received in this channel were handled by the Audit Committee. Since November 2015, following a resolution of this Committee, the complaints handling has passed over to PRISA’s Compliance Unit, which reports periodically to the Audit Committee.

Refinancing Agreements: The Committee has analysed various matters and measures in relation to the Company’s current refinancing agreements.

Equity and capital increase: The Committee has analysed the Company’s equity position, along with the capital increase that took place during the financial year.

Sale of DTS shares: The Committee has considered various accounting aspects resulting from the sale of PRISA’s shares in DTS, Distribuidora de Televisión Digital, S.A. to Telefónica de Contenidos, S.A.U.

Act 22/2015 of 20 July 2015, the Accounts Audit Act [Ley de Auditoría de Cuentas]: The Committee has analysed this Act and the impact it will have on the Company internally (rotation and independence of the auditor, competences of the Committee...).

Report of the Audit Committee: The Audit Committee Report for the 2014 fiscal 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 external 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 April 20, 2015 passed a resolution to appoint that firm to audit the financial statements corresponding to the 2015 fiscal 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 2015, the team of Deloitte that is in charge of the external audit of the Company and its Consolidated Group attended some meetings held by the Committee, and has reported on the most relevant aspects of the external audit.

The fees for the services of auditing the financial statements for 2015 provided to GRUPO PRISA companies and other affiliates by Deloitte, SL and by other related entities amounted to 1,530 thousand euros, of which 180 thousand euros corresponds to Prisa.

Likewise, the fees paid to other auditors that in 2015 provided auditing services to Group companies, amounted to 343 thousand 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):

<table>
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<tr>
<th></th>
<th>2015 Principal Auditors</th>
<th>Other Auditors</th>
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<tbody>
<tr>
<td>Other verification services</td>
<td>548</td>
<td>98</td>
</tr>
<tr>
<td>Tax advisory services</td>
<td>396</td>
<td>362</td>
</tr>
<tr>
<td>Other services</td>
<td>102</td>
<td>306</td>
</tr>
<tr>
<td><strong>Total other professional services</strong></td>
<td><strong>1,046</strong></td>
<td><strong>766</strong></td>
</tr>
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The foregoing information concerning professional fees shall be included in PRISA’s individual and consolidated annual reports for the 2015 fiscal year.

5.2. External Audit Reports

Auditors’ report on the system of internal control of financial reporting for 2014.

During the 2014 fiscal year Deloitte examined the internal control of the Group’s financial information based on the guidelines laid down by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in its report entitled

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Internal Control Integrated Framework (2013). In the opinion of the auditor, issued on March 2, 2015, in 2014 the Group had an effective internal control system in place in relation to the financial information contained in the consolidated annual accounts.

Auditors’ report on the financial statements for 2014

The external auditors presented their conclusions on the audit of the individual and consolidated financial statements of Promotora de Informaciones, S.A. for 2014, 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, 2015

In 2015 Deloitte conducted a limited review of the abridged interim financial statements of the Group.

In the opinion of the auditor, issued on July 22, 2015, its review did not highlight anything which would lead it to conclude that the interim financial statements at June 30, 2015 were not prepared, in all material respects, in accordance with the requirements laid down in International Accounting Standard 34, Interim Financial Reporting.

Auditors’ report on the financial statements for 2015 and on the system for internal control of financial information for the 2015 fiscal year

At the meeting of the Committee held on February 26, 2016, the external auditors presented their conclusions on the audit of the individual and consolidated financial statements of Promotora de Informaciones, S.A. for 2015, 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.

The external auditor also presented the results of the audit of the Group’s system for internal control of financial information for the 2015 fiscal year. In the opinion of the external auditor, Prisa maintained effective internal control over the financial information in all material respects during the 2015 fiscal year.

5.3. Independence of the External Auditor

In compliance with the current Law:

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;

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ii) In view of the foregoing the Committee issued a report concluding about the independence of the external auditors. In compliance with recommendation 6 of the CNMV’s Unified Good Governance Code, the Company will publish this Report on its website sufficiently in advance of the annual general meeting.

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 Manager 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 2015 financial year include:

a. Supervision of the design of the internal control model for financial information of Grupo Prisa, based on the general framework laid down by COSO.

b. Evaluation of the performance of the control activities defined in the Group’s internal control model for the Group’s financial information in order to certify its effectiveness.

c. Coordination and supervision of the implementation of the internal control model for financial information in the companies carrying out the textbook
business that are part of the Santillana group in Mexico and operating review of the performance of the control activities defined.

d. Review of the level of compliance with the rules and regulations on valuation and accounting records laid down by the Group and evaluation of the level of adequacy and effectiveness of the internal control environment operating in the companies of Grupo Santillana located in Chile, Costa Rica and Mexico and in the company carrying out the education systems business in Brazil.

e. Review of the reliability and integrity of the financial information reported to Grupo Prisa and the effectiveness of the internal control system in the companies carrying out the radio business in Mexico and the musical business in Spain.

Review of the reasonableness of the financial information reported by the companies carrying out the Group’s audio-visual production in Portugal and Spain and the companies involved in the production of the El País newspaper in Spain, Mexico and Brazil.

The Internal Audit Manager attended all of the Committee’s meetings in 2015, specifically informing the Committee about the activities of the Internal Audit Department, the annual plan, the risk map of the Group and its evolution, and developments in the system of internal control of financial reporting.

VII.- EVALUATION OF THE AUDIT COMMITTEE

Within the process of self-assessment of the Board, contemplated in article 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.